ANNUAL REPORT

OF THE

Indian Merchants' Chamber

FOR THE YEAR

1948

Presented to the Annual General Meeting of the Chamber held on 31st January 1949

Published by

A. C. RAMALINGAM

SECRETARY, INDIAN MERCHANTS' CHAMBER,

LALJI NARANJI MEMORIAL

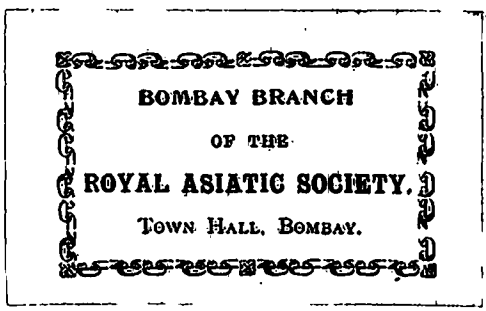
INDIAN MERCHANTS' CHAMBER BUILDING,

BACK BAY RECLAMATION, FORT, BOMBAY

00133705

1949

Price Rs. 5



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The Secretary.

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PROCEEDINGS OF THE 41st ANNUAL GENERAL MEETING

The 41st Annual General Meeting of the Members of the Indian Merchants' Chamber was held on Monday, the 31st January 1949, at 4 p.m. (S.T.) at the Office of the Chamber, when the following members were present.

Mr. Ramdas Kilachand (*Retiring President*).

Mr. Bhawanji Arjan Khimji, M.C.A. (*Incoming President*).

Mr. R. G. Saraiya (*Incoming Vice-President*).

Mr. Ratilal Mulji Gandhi.
„ K. C. Desai.
„ Pashabhai Patel.
„ Ambalal Kilachand.
„ Murarji J. Vaidya.
„ Ratilal M. Nanavati.
„ G. P. Kapadia.
„ Mohanlal A. Parikh.
„ M. A. Master.
„ Tulsidas Kilachand.
„ Haridas M. Parikh.
„ Jayantilal R. Trivedi.
„ B. S. Dabke.
„ Raghavji Vallabhdas.
„ Mathuradas Haridas.
„ S. B. Todi.
„ Hansraj Dwarkadas.
„ R. L. Shah.
„ C. R. Shroff.
„ I. D. Mehta.
„ K. T. Dalal.
„ Chinubhai Kilachand.
„ H. M. Trivedi.
„ Vadilal A. Shah.
„ Daulatram Nandlal.
„ N. G. Shah.
„ H. P. Mehta.
„ P. M. Shah.
„ J. R. Mehta.
„ T. N. Munshi.
„ K. M. Parekh.
„ J. B. Shukla.
„ S. C. Parikh.
„ C. D. Dhupalia.
„ Musa Sharif.
„ M. J. Karandikar.
„ B. M. Charna.
Mr. Madanmohan R. Ruia.
„ A. P. Sabavala.
„ P. M. Chinai.
Mrs. Lilavati K. Munshi.
Mr. Sarabhai Prataprai.
„ B. K. Setalvad.
„ Khatau Vallabhdas.
„ Navin H. Mapara.
„ Mahomed Husein Hasham Premji.
„ Anandji Kanji.
„ Mangaldas B. Mehta.
„ Venilal N. Patwa.
„ Shamji Vallabhji.
„ Mangaldas Shamji.
„ P. T. Bhatia.
„ H. C. Mehta.
„ Bhupatrai K. Doshi.
„ Gordhandas Jivandas.
„ T. C. Araljia.
„ M. S. Pandya.
„ K. K. Chitalia.
„ H. N. Sethna.
„ Soondardas Morarji.
„ Lakshmichand Damji.
„ J. B. Jijibhoy.
„ V. G. Jani.
Dr. Kalimudin.
Mr. N. G. Patel.
„ Jamnadas Ranchhordas.
Major S. A. Paymaster.
Mr. Dara H. Kooka.
„ C. K. Butala.
„ Ratilal C. Kothari.
„ T. J. Shah.
„ C. M. Choksi.
„ Jivanlal Motilal.

Mr. Chandulal Kasturchand.
„ V. L. Jaya.
„ Chhotubhai D. Shah.
„ R. A. Dossal.
„ J. H. Doshi.
„ A. B. Saheti.
„ M. V. Nayak.
„ J. M. Rajput.
„ Chandulal T. Shah.
„ N. M. Shah.
„ G. N. Desai.
Mr. J. C. Vora.
Capt. J. D. Kothawala.
Mr. Sahibsing Pratabsing.
„ Chunilal Amarji.
„ B. M. Bharmal.
„ D. M. Jhobelia.
„ B. L. Ghia.
„ G. D. Modi.
„ L. R. Shah.
„ L. R. Mewani.

The Secretary read the Notice convening the meeting.

Mr. Ramdas Kilachand, Retiring President, in placing before the Meeting the Report of the work done by the Committee during the previous year and the audited statement of Accounts of the Chamber for the year ended December 1948, made the following speech :—

FRIENDS,

The Report of the work done by the Committee of the Chamber during the year that has just ended and the Audited Statement of Accounts for the period have been circulated to Members. I formally propose the adoption of the Report and the Accounts.

It is, indeed, a matter of great personal pleasure to me to extend to our colleague, Sjt. Bhawanji Arjan Khimji, hearty felicitations on his election as President of the Chamber for the coming year. Sjt. Bhawanji has a long record of service. He has been connected with several trade associations. He is the Vice-President of the East India Cotton Association, Ltd. He has also been, for a number of years, the President of the Bombay Cotton Merchants' and Muccadams' Association. His public career has been further enriched by the active part which he has been taking in the political affairs of the country. He is a Member both of the Constituent Assembly and of the Bombay Provincial Legislative Assembly. In the social sphere his activities are many-sided and every good cause finds his enthusiastic support. I am sure this rich background of experience and contact will be of great assistance to him in guiding the affairs of the Chamber during the coming year. I must, on this occasion, particularly acknowledge the assistance and help which I received from him as the Vice-President of the Chamber during the last year.

I would also like to congratulate Mr. R. G. Saraiya on his election as the Vice-President of the Chamber for the

coming year. He has been on our Committee for a number of years. He is the Vice-President of the Indian Central Cotton Committee. In the spheres of Co-operative Movement and Banking his contributions have been substantial. With his knowledge of the problems confronting trade and industry at the present juncture, he would be of considerable assistance to the President in carrying on the activities of the Chamber during the coming year.

Political Developments

Although we began the year almost ominously with the loss of our revered leader, Mahatma Gandhi, under tragic circumstances, it is comforting to reflect that the heritage of self-confidence and self-reliance which he had instilled in the people during the years of his leadership enabled us to survive the shock and so conduct ourselves as to usher in a new era of internal peace. In fact, the year has seen the stabilisation of the political conditions in the country. There is in evidence a unity of purpose animating the whole land. The Hyderabad tangle at one time threatened to let loose forces of trouble, but the quick success of the Police Action there laid to rest fears about internal political troubles impeding the progress of our efforts to make the foundations of the new State firm and secure. Kashmir is the only problem of internal political import now remaining to be solved. Here also the acceptance of the Cease-Fire and the agreement to leave the issue to the ultimate decision of the people of Kashmir as ascertained by a plebiscite raise hopes that a solution, by common consent and agreement, may not be beyond the range of practical possibility. The misunderstanding as disclosed in communiques over the implications of the Cease-Fire agreement is, we sincerely hope, only one of form and not of substance and the common desire to remove this hurdle in the way of friendly Indo-Pakistan relations will animate the Governments in carrying on the negotiations over Kashmir to a successful end. Agreement on Kashmir means not only the liquidation of the only remaining cause of internal political friction, but also the prelude to the re-establishment of amity and goodwill between India and Pakistan, paving the way for a more successful programme of co-ordination in the economic and commercial policies as between the two Dominions.

While the internal political conditions have thus attained a good measure of stability, we are not left uninfluenced by the political uncertainty abroad. Naturally, we would like to concentrate on the country's plans for economic development. For success in that sphere we are, to an extent, dependent on peace and goodwill in the international sphere.

Political uncertainty abroad cannot but cause repercussions of an undesirable character on our efforts to consolidate the country's progress both in the political and in the economic spheres. At the moment, we find the countries of the world arrayed into two conflicting hegemonies; Eastern Europe is being more closely linked with Moscow. The sanctioning of the Marshall Aid by the United States Congress has led to more or less a Western European Union drawing its inspiration from the U.S.A. The controversey over the Berlin lift more than once threatened a conflagration. But the situation has ultimately eased indicating, perhaps, that both the sides are anxious to avoid an armed conflict. The U.N.O. has not been able to play any effective role in bringing about greater international understanding. Nearer home in Asia many countries are in turmoil. The Civil War in China has taken a sharp turn and is almost reaching a decisive stage. In Burma, Malaya and in fact over the whole of the South-East Asia the Communist influence has made itself felt by conditions of an organised insurrection. The onslaught on the Republican Government in Indonesia by the Dutch has strengthened the common bonds as between the Asiatic countries, and the Asian Conference held last week is an indication of the determination of the countries in Asia not to allow themselves to be assigned the role of helpless spectators in this whirlpool of international politics. Our foreign policy has been described as one of friendship with all nations and at the Jaipur Congress our determination to play an independent role without being aligned to any of the blocs was reiterated. The part played by the Indian representatives at the last General Session of the United Nations Assembly and the dynamic reaffirmation of the faith in the objectives of the Organisation by our Prime Minister has led to a clearer appreciation of India's role in international affairs. Another significant development during the year was the general approval given by the Congress to India remaining in the Commonwealth on terms and conditions which would not in any way detract from the independence or the sovereignty of the country. India's place and position in the present international set-up clearly call for greater response from the economically advanced countries to our claims for assistance for meeting the needs and requirements of our developmental plans.

Economic Conditions

Ever since the attainment of independence by the country, we have been looking forward to a programme of action which would stimulate economic recovery. Economic stability was accepted to be an indispensable pre-requisite

for the success of our efforts to consolidate our political freedom. The controversy started by ideological predilections led to the Government of India announcing in April 1948 their Industrial Policy. That statement of policy laid down the aims and objectives of Government in the sphere of industrial production. The statement also envisaged the appointment of a National Planning Commission to formulate a detailed programme of development for the country. The central feature of the policy announced then was that there would be a demarcation of spheres of activities as between the State and private enterprise and private enterprise would be allowed to continue to function in the fields in which it was already functioning without interruption for a period of time. I do not propose to describe the details of the demarcation of the spheres, the stages, the period of immunity and other incidental conditions which formed part of the statement of policy. The attention of Government was prominently drawn to the directions in which the statement required modification. At the same time, the action of Government in recognising the limitation of the mechanism and resources of the State in undertaking the promotion of industries led to a feeling of subdued optimism and hopes were expressed that the same would lead to increased economic activity. But the varying and almost conflicting interpretations of the policy with greater emphasis on particular predilections by individual Ministers of the Cabinet, combined with the effect of the repercussions of the other economic factors failed to sustain the initial feeling of optimism. In fact, the Honourable Dr. John Matthai, Finance Minister, while addressing the Associated Chambers of Commerce at Calcutta in December last, was frank enough to acknowledge the existence of a sense of insecurity in the minds of the investors caused by Government's policy in economic matters particularly in regard to the vexed question of nationalisation. He was at pains to convey reassurance that for as long a period as can be foreseen " there will be not merely a large, but an increasing field for private enterprise in India and the only limit to it will be its own readiness to venture ahead and organise itself for great tasks that lie ahead ". This effort to create confidence in the minds of the investing public is welcome. But in view of the damage already done, a reorientation in Government policy which takes due note of the practical requirements of the situation will, perhaps, assist in reviving the morale of the investing public. Fears about the effect of the policy of nationalisation, effect of limiting dividends, the effect of the proposal to share profits and the effect of the legislation designed to provide minimum wages, etc., have led to a low level of investment and business activity.

An analysis of the factual data available indicates that the year was one of economic stagnancy. The most intractable of all the problems during the year was that of Inflation and the spiralling of prices resulting inevitably in a rise in the cost of production and the cost of living. Government made serious efforts to tackle the problem. After a good deal of consultation and discussion with representatives of commerce and industry and with economists, Government announced certain measures in the monetary and fiscal sphere with a view to mopping up the surplus purchasing power in the hands of the public and with a view to relieve the pressure of such purchasing power on the limited supply of goods. A study of the course of prices and the trend of the currency and credit expansion, however, does not indicate that Government's measures to curb inflation have borne substantial fruit. The general index of wholesale prices which stood at 297.4 in 1947 shot up to 329.2 in January 1948 and reached the peak of 389.6 in July and thereafter showed a downward trend to 382.2 in November 1948. The increase in the indices was particularly noticeable in the group of food articles and industrial raw materials which affect both the costs of ordinary consumer and of industrial production. The index for the former rose from 292.2 in 1947 to 347.7 in January 1948 and 394.1 in November 1948, while for the latter the corresponding figures were 365.6 in 1947, 403.9 in January 1948 and 440.3 in November 1948. From the above it will be evident that prices have not responded to the monetary measures through which Government expected partly to control and stabilise the same.

In the sphere of currency in circulation there is evidence of the trend being towards contraction, though the rate of contraction may not be appreciable. The note circulation which stood at Rs. 1,255 crores in January 1948 showed a steady increase again to 1,310 crores in May 1948 and thereafter declined to 1,200 crores in December 1948. The total notes issued, however, during the year has shown a fall of Rs. 106 crores and stands at Rs. 1,198 crores as on 31st December 1948. In order to arrive at the effective money supply, the Demand Deposits of the Banks will also have to be taken into account and on the basis of this calculation, the total effective money supply amounted to Rs. 2,258 crores in January 1948, Rs. 2,350 crores in May and Rs. 2,225 crores in December 1948. Although the rate of expansion in currency has gone down, it is obvious that neither the price nor the cost of living has shown signs of a definite downward trend. The monetary measures alone, therefore, cannot be expected to yield results in the direction of arresting inflation.

The problem has to be tackled by improving the supply position and increasing production. The record of industrial

production during the year has not been encouraging. The index of all industrial production shows only a small rise of nine points as compared to 1947 according to the calculations of independent authorities. On the basis of official data we find industrial production has shown some improvement in respect of a few industries, notably textiles, cloth and yarn, sugar, silk, enamelware and salt. The output of steel has continued to remain far below the requirements of the country, production remaining round about 850,000 tons against the capacity of 1,200,000 tons for the two leading concerns. Production of coal for the whole year is estimated at 29.9 million tons against 30 million tons in the previous year. Production of cement was also below capacity, the output amounting to 1,475,385 tons against the potential capacity of 2,245,000 tons. It may incidentally be mentioned that the figures of production for the third quarter of 1948 are less than the corresponding figures for the first quarter of the year in coal, steel, cement, paper and matches. The conclusion is obvious that the 'Industrial Truce' arrived at between the representatives of capital, labour and Government towards the end of 1947 has not led to any material improvement in industrial production. Attention will, therefore, have again to be concentrated on this aspect of our economic problem.

Tax Reduction

Apart from the feeling of instability caused by uncertainties connected with Government policy, another contributing factor which has checked the resurgence of the will to produce more has been the existing taxation structure. When the tax structure is such as to leave a very low margin of saving, initiative and enterprise are killed and incentive for fresh effort completely removed. I would refer briefly to the record of increases in the rates of our direct taxation. In the year 1939 the rate of income-tax on companies was 30 pies in the rupee; from 1940 onwards, year after year, surcharges were added on to this rate and in the year 1946 the surcharges were integrated into an increased basic rate of five annas in the rupee, representing an increase by 100 per cent. A concession has subsequently been given for incomes below Rs. 25,000 where the rate is reduced to As. 2½ in the rupee. Similarly in the case of Company Super-tax the rate of one anna per rupee in 1939 was increased from time to time. In 1948 the basic rate was fixed at three annas in the rupee with a rebate of one anna in respect of companies paying dividends in India subject to deduction of super-tax at source. Here also the increase is more than 100 per cent. Individual incomes in excess of Rs. 15,000 were, in 1939, taxed at the maximum rate of 30 pies in the rupee. After the addi-

tion of surcharges year after year, the basic rate was increased to five annas in the rupee in 1946 representing an increase by 100%. There have been more violent changes in regard to rates of individual super-tax. By reducing the exemption limit, by steeping the rates, by readjusting the slabs, the incidence of this tax has been made steeper year after year. In 1937, the maximum rate of tax at 7 as. in the Rupee was leviable only on incomes above Rs. 5,00,000. The subsequent changes made from time to time by the addition of surcharges and by the rearrangements of slabs and rates resulted in increasing the incidence in 1946 to a maximum rate of 10 as. 6 ps. in the Rupee on incomes above Rs. 4,85,000. In 1947, by a readjustment of the slabs, the tax at the maximum rate became payable on incomes in excess of Rs. 1,50,000. The position was slightly rectified in 1948. The tax burden on individual incomes has thus become so oppressive as to leave relatively little surplus for being ploughed back into investment and consequently little incentive to assume risks inevitable in fresh or new investment.

It is, however, heartening to note that the Honourable the Finance Minister is alive to the depressing effect of the existing taxation structure on investment activities in the country. In his Calcutta speech to which a reference has already been made, he was frank enough to acknowledge that one of the contributory causes for the present investment inactivity was the level of direct taxation and added that he was not without sympathy with the claim for reduction of taxation. The mischief caused by the unorthodox changes in taxation imposed at the time of the 1947 budget should be completely undone and the Capital Gains Tax and the Business Profits Tax should be abolished and the rates of super-tax and the tax on individual incomes should be readjusted to the position as it prevailed before they were changed in that year. I consider this as the first step essential for creating conditions favourable for the stimulation of capital formation for increasing the economic and industrial activity in the country.

Before I conclude, allow me once again to convey to you my sense of thankfulness for having given me the opportunity of serving the Chamber and through it the commercial community during the last year. We are on the threshold of a new era. Important things are on the anvil. Having achieved conditions of political stability, the country looks forward to a period of constructive effort. Our social and economic conditions judged by modern standards are backward and the stupendous task of planning and reconstructing the economic life of the whole country will call for the concentrated and wholehearted effort of all sections of the community. In that

task naturally it will be our privilege and duty to play that part, expected of us, truly and well. In order to enable us to make our contribution most effective institutions like the Chamber can, in the altered context of affairs, serve as a connecting link between Government on the one hand and the commercial and industrial interests on the other. Conditions created by war unfortunately have led to a deterioration in the standards of moral values and as His Excellency the Governor-General rightly emphasised the other day, the Nation as a whole has to make a conscientious effort to arrest and correct this lowering of values. My association with the work of the Chamber first as a member of the Committee, then as its representative on Public Bodies like the Port Trust, thereafter as the Vice-President in the year 1947 and as President in 1948 has given me a practical insight into the problems affecting trade, commerce and industry and need I say that I am really glad to have been afforded this opportunity ? The success of an institution like the Chamber, in a large measure, depends on the unity of purpose animating its members and it is a matter of great satisfaction to me that the members of the Committee of the Chamber have always been guided and inspired by a sense of unity and by a desire to serve the common interest of the country. On this occasion let me convey my sense of thankfulness to all my colleagues on the Committee for the uniform courtesy and consideration which they extended to me throughout the year and for the ready assistance and help which I received from them in the discharge of my duties as President.

I wish to place on record my appreciation of the valuable services rendered by our Secretary, Mr. A. C. Ramalingam. He has already impressed us all with his capacity for work. His devotion to the Chamber and the manner in which he identifies himself with the institution call for special mention. During the year he attended the Session of the International Labour Conference in San Francisco and availed himself of that opportunity to visit the Chambers of Commerce and other organisations in some of the industrial and commercial centres in the United States and in Europe. The experience which he has gained will be of assistance to him in his work in the Chamber.

I also acknowledge the services rendered by the Assistant Secretaries, Mr. K. P. Daru, and Mr. C. L. Gheewala and all the other members of the staff. We have a staff of very willing and enthusiastic workers.

I commend the proposition for the adoption of the Report and the Accounts for your acceptance.

Mr. Bhawanji Arjan Khimji, Incoming President, then spoke as under :—

FRIENDS,

At the outset, allow me to convey to you my heartfelt thanks for the honour you have done me in electing me as the President of the Indian Merchants' Chamber for the ensuing year. I am deeply conscious of the dignity and responsibility associated with the office ; and I need hardly assure you that it will be my earnest endeavour to maintain and preserve the traditions of this high office, and to do my best for the furtherance of the interests of the commercial community. I am also grateful to Mr. Ramdas Kilachand, our Retiring President, for the kind and generous terms in which he has referred to me in his speech. It is a matter of great satisfaction that though his term of office as President has ended, he will continue to take the same keen and active interest in the work of the Chamber.

Due to the bold vision and the farsighted statesmanship of our National Leaders at the Centre, the country has weathered many a storm during the period of a year and a half since the attainment of our Independence. The period will indeed be reckoned as momentous and epoch-making in the history of our nation. The political conditions inside the country may be said to have been more or less stabilised and we have made substantial progress in our work of integration and consolidation preparing the ground for building up the social and economic superstructure. In the altered context of affairs where there is identity of interests as between the rulers and the ruled, an institution like our Chamber has to play an increasingly positive role in the formulation of policies governing the corporate activities of our new State, particularly in implementing our plans of social and economic progress. A new responsibility, therefore, devolves upon institutions like ours and we should be ready to discharge our obligations by availing of the opportunities of closer co-operation and contact between the Government and the people. We will be called upon to play a more creative and constructive part by offering concrete suggestions with full and frank criticism wherever necessary in fulfilling the great task that awaits us all. With your active co-operation and assistance and the valuable guidance and advice of the members of the Managing Committee, I hope to be able to discharge my duties as the President of the Chamber and be worthy of the confidence reposed by you in me.

Food Situation

The food situation in the country has been a source of anxiety for the past several months and despite optimistic statements made in the earlier months of 1948, the prospects, both internal as well as external, do not appear to be very bright. To add to this, we have disconcerting reports of damage done to the Khariff crop in the U.P. and Bihar on account of floods, in Bombay due to cyclone and in Gujerat and Saurashtra due to draught. In view of the situation prevailing in the country for the last several months and faced with an estimated deficit of 2 million tons of rice in 1949 and about 1 million tons in other cereals and simultaneously with the unfavourable prospects of imports from abroad, the authorities had to decide to accelerate the pace of return to full food control extending the same by the end of February to over 70 million urban residents.

As reported, the world food situation does not warrant a very optimistic outlook. While there is a slight improvement by about 4 per cent in respect of crop production of wheat and rye, production in respect of rice in 1947/48 was slightly below the pre-war average. From the available world stock of rice, exports are expected to reach about 3.3 million tons which are less than 40 per cent of the pre-war figure. It is against this background that we have to view the constant threat of scarcity, famine and helpless dependence on imports, the last of which entails a very heavy cost amounting to nearly Rs. 110 crores in 1948 which has led to a chronic stage of an adverse balance of trade position in the country. The allotments of rice made by the F.A.O. for the first half of the year are stated to be 4.8 lakhs tons and it is expected that a similar quantity may be allotted for the second half. As regards wheat, 7 lakhs tons may be expected from Australia and 1 lakh tons from Russia. In spite of this, our actual food deficit has been growing year after year in such a manner that it would be precarious to depend entirely on foreign imports for which there cannot be not only any guarantee, but which by itself is subject to several uncertain factors. According to the latest estimate for 1949, the deficit is in the vicinity of 4 million tons of cereals, and it may be observed that the same is calculated on the present ration quantum of 12 ounces of mixed cereals. On this basis, we will have to provide for nearly 2¼ million tons of cereals which, I am afraid, can be purchased only by depleting our hard currency and sterling balances resources. It is no longer desirable that an agricultural country like India should be reduced to a position of pathetic dependence on foreign countries to meet her food requirements and stand in a queue before the International Emergency Food Council, begging for whatever quotas which they can mete out as doles.

On the one hand when the need for imports goes on continuously increasing every year, internal production shows but a comparatively small rise and is inadequate to bridge the gap. Another disquieting factor has been the continuously growing demands for foodgrains from the provinces. The Centre distributed to the provinces in the year 1947 about 2.5 million tons of foodgrains while the same has risen in 1948 to 3.2 million tons. This situation had to be faced despite the fact that foodgrains production registered an increase of 9 lakhs tons in 1947 and despite larger imports in 1948. It is estimated that in 1949 the Centre will have to find 3½ million tons of foodgrains for distribution on account of the re-imposition of control and contemplated extension of rationing. Taking the overall picture, it becomes obvious that we cannot view the food situation with any sense of complacency nor can we under-rate the seriousness of the situation that confronts the country.

It is a happy sign of the times that the Hon'ble Sri Jairamdas Daulatram, our Minister for Food and Agriculture, has been fully alive to the situation prevailing in the country and has been sparing no pains to devise ways and means in meeting the difficult task that faces the country. He has rightly emphasised that food must receive the first priority in the nation's production plan. The country must increasingly depend on its own resources for finding out a permanent solution and it is in this connection that the approval of the Seven-Year Plan of Reclamation of Land by the Government of India at the recent Conference assumes added significance. The Foodgrains Policy Committee in their Report had recommended reclamation of 9 million acres of land, but the Government of India have fixed the target of 6.2 million acres to be reclaimed during the next seven years, having regard to the inadequacy of the present available resources. The financing of the scheme, it is reported, will involve a total cost of Rs. 137 crores, of which Rs. 32 crores would be required in Dollars, Rs. 22 crores in Sterling—both being incurred abroad—and the balance of Rs. 83 crores would be expenditure in India. It is proposed to finance the scheme partly by raising a loan of Rs. 125 million Dollars from the International Monetary Bank and the balance would be procured by internal borrowing or from current revenues of the Dominion.

At the same Conference, a proposal for the sinking of 4,500 deep tube wells for irrigating 3 million acres of land was also considered. Representatives of the provinces also made certain demands and suggestions on which decisions will soon be taken by the Government. It must be added that irrigation is a precious weapon in the drive for increased food production, and though India is one of the extensively irrigated

countries with 70 million acres under irrigation attempts should be made to push ahead with numerous river valley projects under contemplation, which may go a long way in solving our food problem from the long-range point of view.

Preservation of Foodgrains

It is unfortunate that sufficient facilities for storage and preservation of foodgrains are not made available in our country in comparison with other advanced countries. It was stated by our Minister for Food and Agriculture that last year 3 million tons of the foodgrains produced in the country had been destroyed by insects, fungy and rats, the quantity being equivalent to our maximum food deficit in recent years. If we could only devise sufficient ways and means in terms of construction of storage plants, we may, in the words of Sri Jairamdas Daulatram, need no imports from outside nor would we feel any scarcity of foodgrains in the country. I hope Government who are already seized with the problem will implement their scheme of preservation of food which is very vital and important.

Famine Conditions in Gujerat, Saurashtra and Cutch

Unprecedented conditions of famine are prevailing in parts of Ahmedabad, Broach and Surat districts and also Saurashtra and Cutch. There is a general shortage of fodder, foodgrains and water in these areas and the sufferings of the people are increasing from day to day. It is reported that in these famine-stricken areas people in villages have to go for miles in search of drinking water and at some places it is being distributed under ration. On account of acute shortage of fodder, attempts are being made to shift herds of cattle to other districts; but it is difficult to send cattle across vast distances where facilities for grazing or fodder may be available. I need not dwell at length on the conditions of acute suffering prevailing in these areas because the same have been personally witnessed by our Food Minister during his tour of the Ahmedabad district.

It is gratifying to note that during his tour, our Food Minister had assured the people in the affected areas to do all in his power to secure for them necessary relief and also represent to the Transport Ministry for facilitating swift movement of foodgrains, cement and other materials to the famine areas. It is further a matter of satisfaction that the Government of Bombay is devising ways and means of alleviating the sufferings of the people and to that end a Special Officer is proposed to be appointed to tackle the problem of famine relief and co-ordination of relief activities. A Sub-

Committee of the Bombay Cabinet has also been appointed to expedite the Grow More Food Campaign. There are already some Relief Committees working for Gujerat, Cutch, etc. but much more remains to be done to relieve the appalling conditions in the famine areas. I wholeheartedly endorse the appeal made by our Deputy Prime Minister, Sardar Vallabhbhai Patel, and the Premier of Bombay, Sjt. B. G. Kher, for doing our utmost to save the people of Gujerat and other areas from starvation and, in view of the gravity of the situation, extend our fullest co-operation in implementing the schemes of Grow More Food and conserving food of every kind.

Social Security Scheme

I had an occasion in my speech at the last Quarterly General Meeting to refer to the striking record of progress in the matter of labour legislation and labour welfare measures during the first year of the country's freedom. I then briefly referred to the Industrial Disputes Act, 1947, the Indian Trade Unions Amendment Act, 1947, and the Minimum Wages Act, 1948. This time I propose to dwell on the importance and significance of the Employees' State Insurance Act, which provides for the setting up of a Fund from contributions of employers and employees supplemented by administrative grants from Government for the purpose of providing benefits to labour in respect of sickness, maternity, accidents, etc.

As emphasised by the Labour Minister, Mr. Jagjivan Ram, social security was not only the most desirable objective but also the most urgent national problem and the same is expected to provide necessary safeguards against violent social and economic upheavals. In fact, the legislation constitutes an important landmark in the history of progressive labour legislation in the country. The question of social security in its modern sense has been engaging the attention of the reformers and administrators for over a long time and the question of introducing health insurance was mooted as early as 1927, as a result of the Convention referred to the Government of India by the I.L.O. The question has been in the forefront since 1941 and a scheme was submitted by Prof. B. P. Adarkar during August 1944, which was suitably modified by Messrs. Stack and Rao of the I.L.O. who were specially invited to examine the scheme and to make necessary suggestions. After having been first introduced in a bill form in 1946 and passing through its various stages, it was finally submitted to the Legislature by the Select Committee in February 1948 with certain notable changes regarding the

extension of the scope of the Bill. The same was passed and came into force in April 1948.

The measure is to apply to all perennial factories in the first instance involving over 2 million industrial workers. The five types of benefits it seeks to provide are sickness, maternity, disablement, dependents and medical benefits. With a view to gaining experience and minimising mistakes, it was decided that the State Insurance Corporation would experiment with a small pilot scheme covering the Centrally Administered Areas of Delhi and Ajmer-Merwara Provinces. The scheme thus aims at a very modest beginning and may be considered as a first step towards the desired goal. It, therefore, is limited in its extent, firstly to workers in organized industries, and secondly does not cover the risk to which the insured employee was ordinarily exposed. The Government propose to extend the scope of the plan gradually and steadily so that in course of time it may evolve into a comprehensive plan of social security. With this end in view, preference has been rightly given to measures relating to health, insurance and medical assistance.

The administration of the Scheme will depend upon the effective and efficient working of the number of regional and local offices that may be set up for the purpose, because ultimately it is these bodies which will maintain connection with the worker on the one hand and the Central organization on the other. The Corporation will generally lay down broad lines of policy to ensure uniformity in the application of the law and procedure.

There is no doubt that the practical success of the Scheme will depend largely on the support both of the employer and labour. While the employers have offered to extend their support and co-operation in implementing the scheme, they would naturally expect labour to take a progressively more enlightened view of their responsibility in the great task of increasing industrial production which is the supreme need of the hour. The continuous fall in production has been a source of anxiety in recent times and let us hope the workers will play their role in increasing both production and efficiency, because in my opinion they can be entitled to increasing benefits of social security only in terms of the contribution they make to increase the national wealth. It must be realised that larger social services can only be provided out of increased production which the country has a right to demand from workers, and no amount of social welfare legislation by itself can achieve much. It is, therefore, equally urgent that labour must be enthused with the consciousness of national service and must try to contribute not only in

terms of increased output but also in terms of increased efficiency.

The Durban Riots

It is with feelings of poignant sorrow and suppressed indignation that I have to refer to the recent flare-up of racial troubles in Durban. You must have read in the papers the widespread damage done to Indian life, property and business in the three-day riots during which the casualty roll is unofficially reported to include 129 deaths in a total of 1,240 in the two troubled spots. Whatever may be the immediate cause of provocation we are only too familiar with the deep-rooted racial animosity that has been existing under the "racially repressive and reactionary economic policies" in South Africa. In the context of such deep-rooted feelings and sufferings on the part of one race it is a very dangerous portent to unleash the weapon of racialism and encourage incidents of the type noted in Durban. We in this country have greater reason to be distressed at these most unfortunate happenings in a country where the Father of our Nation, Mahatma Gandhi, launched his first experiment in *Satyagraha* and successfully vindicated the power of Truth and Non-violence. The responsibility for quelling the disturbing forces and creating an atmosphere of calm and peace lies entirely on those responsible for law and order in that country. It is gratifying to note that a Commission of Enquiry has been appointed by the Union Government to investigate into the causes of the Durban riots. At this stage it is with great restraint that we have to withhold our opinion as suggested by the Government of India though we cannot but give vent to our feelings of grave concern at these tragic happenings.

The Government of India have clearly pointed out that their policy has been and is to promote good relations between Indians and Africans not only in South Africa but all over the continent of Africa and they do not wish that any vested interest should come in the way of the advancement of the African people in their own homelands. We are one with the Government in their policy so expressed but we believe that it is possible to implement such a policy and establish smooth relations between the two races only if the arrogance of racial superiority is shed by Dr. Malan's Government and his people. However, I fully recognise that the immediate task is the restoration of mutual confidence and friendship between the two communities and the organization of adequate relief to the victims of the riots. The Government of India

have already placed a sum of Rs. 50,000 at the disposal of the Secretary to the High Commissioner for relief and have instructed him to co-operate with all others who may be engaged in this task and have also stated that further sums will be placed at his disposal as they are required. On behalf of the commercial and business community I express my deep sense of sympathy to the people who have suffered in life and property in the riots and hope that friendly and amicable relations will soon be restored.

With these words, I second the proposal for the adoption of the Report and the Accounts.

Mr. R. G. Saraiya, the Incoming Vice-President, then thanked the Members of the Chamber for having elected him as Vice-President for the new year. He also made a brief reference to the legislation passed by the Central Government for setting up an Industrial Finance Corporation with a view to provide the long-term, finance requirements of industrial undertakings and expressed the hope that the facilities afforded by the Corporation would be increasingly availed of by persons or undertakings interested in the development of new industries.

In the discussion that followed, several Members participated. Major S. A. Paymaster gave expression to the feelings of concern entertained by the commercial community over developments in South Africa and emphasised the need for strong and energetic action on behalf of the Government of India for protecting the interests of Indian Nationals in that country. He also pleaded for an organised drive in constructive directions for improving the economy of the land. Mr. Sankarlal C. Parikh referred to the difficulties of the trade in regard to the Income-tax administration and also to the continued disorganisation in the availability of transport and wagon facilities. Mr. Anandram Saheti drew attention to the loss caused by the rough handling of goods in the Docks and suggested that Dock labour should be requested to give increased attention to that aspect. He further urged that the needs and difficulties of the Oil trade should be given greater attention. Mr. Sunderdas Morarji felt that the Chamber should take more active steps to redress the wrongs and difficulties of the smaller trade and discharge its function as a co-ordinating link between Government and the trade in a vigorous manner. Mr. Khatau Vallabhdas pointed out that the Chamber was devoting due attention to the difficulties of the small trade also. Mr. S. B. Todi referred to a

grievance about cancellation of export licence for export of cotton piecegoods granted to his firm, which in his opinion was unjustified. Mr. P. M. Shah, Mr. Ratilal M. Gandhi and Mr. P. M. Chinai also addressed the meeting.

After the President had briefly replied to some of the questions raised during the course of the discussion, the proposition for the adoption of the Report and the Accounts were put to the vote and carried unanimously.

The declaration of the result of the Election of Office-Bearers of the Chamber for 1949 was read by the Secretary and the same was recorded.

Mr. Ratilal M. Gandhi proposed that Messrs. Devidas Vithaldas & Co. be appointed Auditors of the Chamber for the year 1949 and their remuneration for the work be fixed at Rs. 300.

The same was seconded by Mr. Mahomed Husein Hasham Premji and on being put to vote was carried unanimously.

Mr. Sarabhai Prataprai moved a vote of thanks to the Chair. In doing so, he referred to the manner in which Mr. Ramdas Kilachand, the retiring President, had shown and acknowledged his high sense of duty and responsibility. In particular, he added, that the Members were indebted to the President for the opportunities which he had brought about for greater informal contact between the commercial community and the heads of Government.

Major S. A. Paymaster in seconding the proposal joined in the tributes paid to the retiring President. Mr. P. M. Chinai, Mr. Shamji Vallabhji, Mr. Mangaldas B. Mehta, Mr. A. P. Sabavala, Mr. Venilal N. Patwa and Mr. Tribhovandas J. Shah associated themselves with the sentiments expressed by the previous speakers.

Mr. Bhawanji Arjan Khimji, Incoming President, put the proposition to the Vote of the House and the same was carried with acclamation.

The meeting then terminated.

CHAIRMEN OF THE INDIAN MERCHANTS' CHAMBER

1907—13	Sir Manmohandas Ramji.
1913—14	Sir Purshotamdas Thakurdas, C.I.E., M.B.E.
1914—15	Sir Fazulbhoy Currimbhoy, C.B.E.
1915—16	Sir Dinshaw Edulji Wacha.
1916—17	Sir Lallubhai Samaldas, C.I.E.
1917—18	Sir Vithaldas D. Thakersey.
1918—19	Sir Chunilal V. Mehta, K.C.S.I.
1919—20	Mr. Jehangir Bomanji Petit.
1920—21	Mr. Lalji Naranji.
1922	Sir Purshotamdas Thakurdas, C.I.E., M.B.E.
1923	Sir Fazulbhoy Currimbhoy, C.B.E. (from 24-2-23 to 3-9-23).
	Mr. Devidas Madhowji Thakersey (from 4-9-23 to 25-1-24).
1924	Sir Manmohandas Ramji.
1925	Sir Phiroze C. Sethna, O.B.E.
1926	Mr. Lalji Naranji.
1927	Mr. Walchand Hirachand.
1928	Sir Shapurji B. Billimoria, Kt., M.B.E. (from 31-1-28 to 20-3-28).
	Sir H. P. Mody (from 30-3-28 to 17-7-28) and
	Mr. L. R. Tairsee (from 28-7-28).
1929	Mr. L. R. Tairsee.
1930	Mr. Hooseinbhoy A. Laljee.
1931	Sir Chunilal V. Mehta, K.C.S.I.
1932	Mr. B. N. Karanjia (till November).
	Mr. Mathuradas C. Matani (November to January).
1933	Sir Manmohandas Ramji.
1934	Sir Mathuradas Vissanji, Kt.
1935	Mr. Manu Subedar.
1936	The Hon'ble Sir Rahimtoola Chinoy, Kt.
1937	The Hon'ble Mr. Govindlal Shivlal Motilal.
1938	Mr. Gordhandas G. Morarjee.
1939	Mr. J. C. Setalvad.
1940	Sir Chunilal B. Mehta.
1941	Mr. M. C. Ghia.
1942	Mr. J. C. Setalvad.
1943	Mr. Haridas Madhavdas.
1944	Mr. Pranlal Devkaran Nanjee.
1945	Mr. M. A. Master.
1946	Mr. Mahomed Husein Hasham Premji.
1947	Mr. Ratilal Mulji Gandhi.
1948	Mr. Ramdas Kilachand.

CHAMBER'S REPRESENTATIVES ON PUBLIC BODIES 1948

Bombay Legislative Assembly

Mr. C. S. Patel.

Bombay Port Trust

1. Sir Behram N. Karanjia.
2. Mr. Ramdas Kilachand.
3. Mr. M. A. Master.
4. Mr. J. C. Setalvad.
5. Mr. Madanmohan R. Ruia.

Bombay Municipal Corporation

Mr. Dahyabhai V. Patel.

Senate of Bombay University

Mr. Mangaldas B. Mehta.

Indian Central Cotton Committee

Mr. Chimanlal B. Parikh.

G.I.P. Rly. Local Advisory Committee

Sir Chunilal B. Mehta.

B.B. & C.I. Rly. Local Advisory Committee

Mr. Ratilal M. Nanavati.

Royal Institute of Science Advisory Committee

Dr. K. A. Hamied.

Standing Advisory Committee regarding Back Bay Reclamation Scheme

Mr. Manu Subedar.

Governing Body of the T.S. "Dufferin"

Mr. M. A. Master.

Indian Sailors Home Committee

Mr. J. P. Mehta.
Mr. Vijaysinh Govindji.

Board of Communications

Mr. Keshavprasad C. Desai.

Traffic Advisory Committee, Bombay

Prof. M. P. Gandhi.

Sydenham College Advisory Board

The Hon. Sir Rahimtoola Chinoy.

Ramniranjan Anandilal Podar College of Commerce

Sir Chunilal B. Mehta.

Provincial Transport Authority under the Motor Vehicles Act

Mr. J. C. Setalvad.

Advisory Committee under the Textile Trade Marks Act

Mr. Madanmohan R. Ruia.

Committee to co-ordinate the Post-war Development of Bombay

Mr. M. A. Master.

Provincial Industries Committee

Mr. M. A. Master.

Indian Central Coconut Committee

Mr. K. M. Antia.

Provincial Council on Blindness

Mr. Ramdas Kilachand.

Bombay Social Hygiene Council

Dr. M. Venkatrao.

AD HOC BODIES CONSTITUTED AS A TEMPORARY MEASURE

Provincial Food and Commodity Advisory Board
Mr. Ramdas Kilachand.

Advisory Committee for Exports of Piecegoods and Yarn
Mr. Haridas Motilal Parikh.

Committee re : Fixation of Prices for Imported Textiles
Mr. Chimanlal B. Parikh.

Regional Advisory Committee for Railway Priority
Mr. Ramdas Kilachand.

Bombay Port Committee
Mr. Bhawanji A. Khimji.

Pilferage Committee for Bombay Port
Mr. C. H. Diwanji.

Telephone Advisory Committee
Mr. Ratilal M. Gandhi.

TRUSTEES OF THE CHAMBER

Mr. Gordhandas G. Morarji.
„ J. C. Setalvad.
Seth Chatrabhuj Gordhandas.
Sir Behram N. Karanjia.
Seth Pranlal Devkaran Nanjee.

OFFICE-BEARERS FOR 1949.

President:

Sjt. Bhawanji A. Khimji.

Vice-President:

Mr. R. G. Saraiya.

Members of the Committee (Elected):

1. Mr. Ambalal Kilachand.
2. Mrs. Lilavati K. Munshi.
3. Mr. B. K. Setalvad.
4. Sjt. Nagindas T. Master.
5. „ Ratilal M. Gandhi.
6. Mr. Someshchandra M. Nanavati.
7. „ Panalal Maneklal Chinai.
8. „ Pashabhai Patel.
9. „ Anandji Haridas.
10. „ Manubhai Bhikabhai Patel.
11. „ Gopaldas P. Kapadia.
12. „ Mahomed Husein Hasham Premji.
13. „ Haridas Motilal Parikh.
14. „ Jayantilal R. Trivedi.
15. „ Murarji J. Vaidya.
16. „ Sarabhai Pratapprai.
17. „ Sankalchand G. Shah.
18. „ A. P. Sabavala.
19. „ Dhirajlal N. Shroff.
20. „ Navin H. Mapara.
21. „ Ratanchand Hirachand.
22. „ Dewji Rattansey.
23. „ Anandji Kanji.

Co-opted: (3 individuals)

1. Mr. Naval H. Tata.
2. „ Navinchandra Mafatlal.
3. „ C. H. Bhabha.

(Co-opted) : (20 Associations)

1. Africa & Overseas Merchants' Chamber (Mr. Mahomedali D. Nasser).
2. Association of Electrical Undertakings, Bombay Province (Mr. N. C. Javeri).
3. Association of Indian Importers of Dyestuffs (Mr. K. H. Kabbur).
4. Association of Merchants & Manufacturers of Textile Stores & Machinery (India) (Mr. G. A. Kulkarni).
5. Bombay Cotton Merchants' & Muccadams' Association Ltd. (Mr. Fatehchandji Jhunjhunwalla).
6. Bombay Diamond Merchants' Association (Mr. Ratilal C. Kothari).
7. Bombay Grain Dealers' Association (Mr. Khimji M. Bhujpuria).
8. Bombay Kariana Colour & Chemical Merchants' Association (Mr. Khatau Vallabhdas).
9. Bombay Piecegoods Merchants' Association (Mr. Narottamdas K. Shah).
10. Bombay Rice Merchants' Association (Mr. Devjee Tokarsee Muljee).
11. Bombay Shroff Association Ltd. (Mr. Mohanlal A. Parikh).
12. Bombay Sugar Merchants' Association (Mr. Maneklal Ujamshi).
13. Grain & Oilseeds Merchants' Association (Mr. Vallabhdas Peraj).
14. Indian Chemical Manufacturers' Association (Bombay Presidency Branch) (Dr. Labhshankar A. Bhatt).
15. Mahratta Chamber of Commerce & Industries (Mr. B. S. Dabke).
16. Oil Merchants' Chamber (Mr. Vallabhdas V. Mariwalla).
17. Paper Traders' Association (Mr. Dharamsi M. Jhobalia).
18. Seeds Traders' Association (Mr. Mangulal Tricumlal).
19. Silk & Art Silk Mills Association Ltd. (Mr. Ramdeo A. Podar).
20. Western India Sheet Rollers' Association (Mr. P. R. Kamani).

Ex-officio :

1. Seth Chatrabhuj Gordhandas (Trustee of the Chamber).
2. Mr. Gordhandas G. Morarji (Trustee of the Chamber).
3. „ J. C. Setalvad (Trustee of the Chamber).
4. Sir Behram N. Karanjia (Trustee of the Chamber).
5. Seth Pranlal Devkaran Nanjee (Trustee of the Chamber).
6. Mr. Chhotabhai S. Patel (Bombay Legislative Assembly).
7. „ Madanmohan R. Ruia (Bombay Port Trust).
8. „ Ramdas Kilachand „
9. „ M. A. Master „
10. „ Madhavlal M. Bhatt „
11. „ Mangaldas B. Mehta „
12. „ Dahyabhai V. Patel (Bombay Municipal Corporation).
13. „ Manu Subedar (Bombay Development Department Advisory Committee).
14. Sir Rahimtoola M. Chinoy (Sydenham College Advisory Committee).
15. Mr. Chimanlal B. Parikh (Indian Central Cotton Committee).
16. Sir Chunilal B. Mehta (G.I.P. Rly. Local Advisory Committee).
17. Mr. Ratilal M. Nanavati (B.B. & C.I. Rly. Local Advisory Committee).
18. Dr. K. A. Hamied (Royal Institute of Science).
19. Prof. M. P. Gandhi (Traffic Advisory Committee).
20. Mr. Keshavprasad C. Desai (Board of Communications).
21. „ Vijaysinh Govindji (Indian Sailors Home Society).
22. „ J. P. Mehta (Indian Sailors Home Society).

Mr. J. K. Mehta (*Honorary Adviser*).

„ A. C. Ramalingam (*Secretary*).

„ K. P. Daru (*Assistant Secretary*).

LIST OF JOURNALS & PERIODICALS RECEIVED IN THE LIBRARY OF THE INDIAN MERCHANTS' CHAMBER

Quarterly :

1. *Journal of the Scientific and Industrial Research, New Delhi.
2. The Journal of the Indian Institute of Bankers.
3. *Round Table.
4. Journal of the University of Bombay.
5. Indian Journal of Social Work.
6. *India Quarterly.
7. Empire Cotton Growing Review.
8. Australian Exporter.
9. Journal of Calender Reform.
10. Foreign Affairs.
11. Economic.
12. Quarterly Journal of Local Self Government.
13. Indian Journal of Economics.
14. Social Service Quarterly.
15. Indian Cotton Growing Review.
16. Bulletin of the Bureau of Economics and Statistics.

Monthly :

1. London Chamber of Commerce Journal.
2. Monthly Journal of the Liverpool Chamber of Commerce.
3. Monthly Journal of the Manchester Chamber of Commerce.
4. Monthly Journal of the Bradford Chamber of Commerce.
5. Auckland Chamber of Commerce.
6. International Chamber of Commerce.
7. Melbourne and Brisbane Chamber of Commerce.
8. The Commercial Review, Alleppy.
9. Southern India Commerce.
10. Mysore Commerce.
11. Oil and Oilseeds Journal.

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* Subscribed for by the Chamber.

12. Indian Shipping.
13. Prosperity.
14. Indian Food Packer.
15. A.I.M.O. Journal.
16. Airma Official Bulletin.
17. Rubber India.
18. Engineer.
19. Rural India.
20. British Italian Trade Review.
21. British Trade Journal and Export World.
22. United Nations World.
23. Great Britain and the East.
24. *Machinery Lloyd.
25. *Lloyds Import Duties List.
26. Monthly Digest of Statistics.
27. *International Financial Statistics.
28. *National Geographical Magazine.
29. Monthly Review of the Lloyds Bank.
30. Monthly Review of the National City Bank of New York.
31. Monthly Review of the Federal Reserve Bank.
32. *Fortune (U.S.A.).
33. Guaranty Survey.
34. American Exporter.
35. Austral News.
36. Holland.
37. Netherland.
38. Ceylon Trade Journal.
39. Tisco Review.
40. Safety News.
41. The Tanner.
42. *Indian Textile Journal.
43. Journal of Motion Picture Society.
44. *United Asia.
45. Agricultural Economist.
46. Indian Concrete Journal.
47. *Modern Review.

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* Subscribed for **by the Chamber.**

48. *Indian Factories Journal.
49. Planning.
50. Food and Nutrition.
51. Indian Sugar.
52. Indian Readers Digest.
53. Mysore Information Bulletin.
54. Investment Times.
55. *Reserve Bank of India Bulletin.
56. *Monthly Abstract of Statistics.
57. *Labour Gazette (Bombay).
58. *Indian Labour Gazette.
59. *Monthly Sea-Borne Trade Return of India.
60. Indian Farming.
61. Coasting Trade and Navigation of India.
62. Raw Cotton Trade Statistics.
63. Joint Stock Companies.
64. Indian Export Trade Journal.
65. Exports of Indian Artware and Sport Goods.
66. Wholesale Prices of Certain Selected Articles at various Centres in India.
67. Kathiawar and Travancore Trade Statistics.
68. Accounts relating to the Inland (Rail and River-Borne) Trade of India.
69. Monthly Survey of Business Conditions in India.
70. Labour Intelligence.
71. Journal of Commerce & Statistics.
72. Jute Bulletin.

Fortnightly:

1. Machinery Market.
2. Insurance Review.
3. Income-tax Report.
4. Journal of Joint Stock Companies.
5. Indian Information.

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* Subscribed for by the Chamber.

Weekly:

1. *Economist.
2. Statist.
3. *New Statesman and Nation.
4. Foreign Commerce Weekly.
5. Industrial and Labour Information (I.L.O.).
6. *Life.
7. *Time.
8. *Shanker's Weekly.
9. *Business Weekly.
10. Economic Weekly.
11. *Forum.
12. Chemical Age.
13. Industry and Finance.
14. *Commerce.
15. *Indian Finance.
16. Indian Trade Journal.
17. *Eastern Economist.
18. *Bombay Govt. Gazette.
19. *Gazette of India.
20. *Commerce and Industry.
21. Board of Trade Journal.
22. *Kesari (Bi-Weekly).
23. *Capital.
24. *Harijan.

Occasional:

1. Constituent Assembly (Legislative) Debates.
2. Constituent Assembly Debates.
3. Debates of Bombay Legislative Assembly.
4. Debates of Bombay Legislative Council.
5. *Publications of the International Labour Office.
6. Indian Tea Statistics.
7. Indian Coffee Statistics.
8. Indian Agricultural Statistics.
9. Reports of the Tariff Board.

* Subscribed for by the Chamber.

10. Publications issued by the Department of Commercial Intelligence & Statistics.
11. Reports of Several Chambers of Commerce and other Commercial Associations.

Gujerati Periodicals:

1. Khet Wadi Vignan.
2. Prasthan.
3. Harijan Bandho.
4. Akhand Anand.

Hindi

1. Arougya.
2. Digamber Jain.

Vyapar Udyog (Marathi).

REPORT OF THE COMMITTEE

OF

THE INDIAN MERCHANTS' CHAMBER

For the year 1948 presented at the 41st Annual General Meeting of the Chamber held on 31st January 1949

Your Committee have pleasure in presenting this 41st Annual Report of your Chamber. During the course of the year 40 meetings of the Committee and over 70 meetings of the various Sub-Committees were held, the work done being of a varied and important nature.

The subjects dealt with by your Committee have been grouped under the following main heads:—

(1) Transport and Communications (Page No. 1)

(2) Finance, Tariff and Taxation (Page No. 29)

(3) Trade, Industrial and Labour Legislation (Page No. 60)

(4) General Trade and Industry (Page No. 66)

(5) General (Page No. 106)

I. TRANSPORT AND COMMUNICATIONS

Enquiry into the Question of Development of Sailing Vessels Traffic

In a letter dated 4th November addressed to the Secretary, Sailing Vessels Traffic, the Committee forwarded the views on the questionnaire issued by the Committee in connection with the enquiry connected with development of Sailing Vessels Traffic. They observed that in view of the present difficulties in acquiring immediately sufficient shipping tonnage and with a view to preserving the traditional traffic by country-crafts it would be necessary to have a definite programme for assisting the growth of country-crafts traffic. They therefore suggested that arrangements should be made to place this traffic on an organised basis and for this purpose in their opinion specific legislation covering the country-crafts traffic was necessary. They further suggested that there should be provision for registration of country-crafts with a system of licensing of such crafts and the licensing provisions should include such measures which would make traffic by country-crafts safe and would prevent the owners of the crafts or tindals from playing any tricks with the cargo that may be entrusted to them. Under the system of licensing, the owners and the tindals and not the shippers should be held responsible for the safe delivery of the cargo entrusted to the crafts at the ports of destination. They also referred to the fact that the widely varying rates of marine insurance for goods carried by such crafts was proving a hindrance in the way of increased use of country-crafts and suggested that arrangements should be made for a scheme of insurance at reasonable rates. They further suggested that strict rules regarding load lines should be prescribed and this should be marked on the crafts and any infringement of the requirements in regard to the load line should be subject to severe penalties. After the preliminary efforts to regulate and organize the crafts the question of mechanisation of sailing vessels should also be considered as in their opinion mechanical crafts would in the long run offer definite advantage in handling the traffic and in catering to the requirements of the trade. With these preliminary remarks they

made some detailed suggestions in regard to some of the questions in the questionnaire having a bearing on larger issues of policy.

Revision and Consolidation of the Law relating to Merchant Shipping in India

In a letter dated 3rd April 1948 addressed to the Government of India, the Committee referred to reports that Government had undertaken the revision of the Indian Merchant Shipping Act, 1923, the Indian Registration of Ships Act, 1841, the Amendment Act, 1850, and the various rules, instructions and executive orders issued thereunder. While appreciating the desirability of codifying all laws relating to Merchant Shipping with a view to the enactment of self-contained statute embracing all aspects of shipping, the Committee pointed out that the same was of very great importance and therefore the preliminary work of formulating draft suggestions for consideration should be undertaken by Government themselves assisted by a Committee proposed of representatives of shipping interests and legal experts. The draft when ready should be circulated to shipping companies and other organizations representing shipping interests and the legislation should be permitted in the light of the views and suggestions received from such interests on the draft proposals. They requested Government to take necessary steps to set up a Committee for the purpose of preparing a draft of the proposed legislation for sailing the laws relating to Merchant Shipping in India.

Shipment by Country-crafts to other Coastal Ports of the Country

During the period of the war the customs authorities were taking an indemnity bond from the Agents of the country-crafts or the tindal of the craft under which the agents or the tindal were responsible for the delivery of the goods at the destination and they were responsible to satisfy the Customs authorities at the port of shipment by the production of a certificate from the port of destination in due course. Lately, however, the customs authorities were demanding that the bond in question should be executed by the shippers them-

selves. The Committee in a letter dated 20-2-48 addressed to the Collector of Customs drew his attention to the above practice and pointed out that the shippers tendering the cargo for being carried by the country-crafts had no control over the subsequent movement of the crafts and that it was not proper to attach any responsibility on them as implied by the terms of the bond. They, therefore, suggested that the previous practice of demanding a bond from the agents of the crafts who were after all regulating the movement of the craft should be adhered to and the shippers should not be held responsible nor should they be required to execute any indemnity.

The Collector of Customs in his reply dated 27th April informed the Committee that in numerous cases dutiable or controlled goods governed by bonds signed by Tindals never reached their declared destination and the whereabouts of the Tindal could not be ascertained in such cases and therefore it was found impracticable to enforce such bonds. The Committee in a further letter dated 3rd June addressed to the Collector of Customs pointed out that while they appreciated the need for precautions to prevent unauthorised diversions, they had to point out that the responsibility implied in the Bond to be executed by shippers would tend to make them unwilling to make use of country-crafts for movement of their goods. The Committee pointed out that such a development at the present juncture was not a desirable one. They, therefore, suggested that Government should consider the desirability of introducing a system of licencing and/or registration for purposes of country-crafts and that one of the conditions attached to the Registration should be that any unauthorised diversion of trip or cargo by country-crafts would involve immediate cancellation of the Registration of the craft as also of the other crafts belonging to the owner. They requested Government to consider the above suggestion.

Appointment of Sailing Vessels' (Country-crafts) Committee

The Committee in a letter dated 20th August 1948 addressed to the Ministry of Commerce, Government of India, referred to the appointment of a Committee to examine and report on the steps necessary to ensure the fullest utilization of sailing vessels and in that connection pointed out that in-

terests representing the country-crafts owners had a grievance that representatives of that trade were not included in the personnel of the Committee. They felt that the presence of the representatives of the country-crafts' interests on the Committee was necessary and requested Government to expand the Committee by including such representatives of country-craft trade on the Sailing Vessels' Committee.

Government in their reply dated 25th December informed the Committee that they had decided that the Sailing Vessels Committee might when considering commercial and non-technical questions concerning sailing craft co-opt from the areas where its sittings were held local members, not exceeding two representing sailing crafts owners' interests and that before drawing out its final report it might also invite all such co-opted members and hold a general discussion.

Requirements of the Country in regard to Oil-tankers

In a letter dated 16th September addressed to the Ministry of Commerce, Government of India, the Committee referred to the formulation by Government of a programme for developing Indian shipping, and in this connection suggested that Government should give due consideration to the needs of the country in the matter of oil-tankers. They mentioned that the absence of sufficient transport facilities in the shape of oil-tankers was one of the factors which hindered timely and regular supplies of increasing quantities of petrol and other mineral oils. They, therefore, requested Government to take necessary steps to acquire immediate requirements of such tankers.

Representation on the Board of the Bombay Port Trust

At present, the Chamber is represented on the Board of the Bombay Port Trust by five persons. The Port Trust Act was amended during the course of the year with a view to provide increased representation to commercial interests. Under the amended Act, it has been proposed to allot 8 seats to the Chamber on the Board. Details regarding the allocation of the seats proposed to be given to the Chamber among the different sectional trade interests and panels are under correspondence with Government.

Difficulties experienced by Merchants as a result of the Customs and Port Trust Procedures

In connection with the difficulties arising out of complaints received from member-firms as a result of the formalities connected with the Customs and Port Trust procedures a representation was addressed to Mr. Y. N. Suktankar, Secretary, Ministry of Transport, Government of India, wherein the following suggestions were made.

1. **Refund of Import Duty on Consignments Short-landed:** There was at present no provision in the Sea Customs Act for refund of import duty in respect of goods short-received. It was suggested that steps should be taken to include a suitable provision in the Sea Customs Act for allowing abatement of duty in respect of goods lost or short-delivered.

2. **Delay in the Issue of Short-landed Certificates:** Reference was made to the difficulties experienced by the trade on account of the delay in the Port Trust Authorities issuing the certificates in regard to consignments which were short-landed and it was suggested that arrangements should therefore be made to furnish short-landed certificates within a few days of the general landing date so as to enable the merchants to file their claims for refund of duty in respect of short-landed goods in time.

3. **Free Days allowed to Consignees for Clearance:** The free days were calculated with reference to the general landing date but in many cases entire consignments or parts thereof were being landed subsequent to the general landing date and sometimes the consignments were landed in full only after the free period was entirely over and the consignee was needlessly penalized by the levy of extra charges. It was suggested that the free period should begin only after the entire consignment had been landed and traced.

4. **Arrangements for Storage and Tracing of Goods:** A reference was made to the general complaint that lately arrangements for storage and tracing of goods in the Docks were very defective and that there was no direct check on the goods actually imported as a result of which there was considerable delay in tracing the goods. It was suggested that

the Port Trust authorities should make such arrangements as would enable the merchants to trace their goods without much difficulty.

5. **Delay Caused by Customs Formalities:** It was pointed out that the delay in the clearance of goods from the docks was caused by the delay in the completion of various Customs formalities. It was suggested that steps should be taken to obviate delay arising out of such formalities.

6. The attention of the Port Trust authorities was drawn to the damage caused to consignments by being left in the open and the authorities were requested to provide adequate warehouse accommodation in the Docks and also to provide some covering to the cargoes left in the open.

7. **Loss of Goods during the Process of Customs Examination and Appraisement:** Although goods imported in the Docks were physically within Port Trust premises there was no provision either in the Sea Customs Act or in the Port Trust Act which would make the parties liable for loss of goods. The consignee was in such a case put into very difficult position. It was suggested that such a position was extremely unsatisfactory and between the Port Trust and the Customs authorities some procedure should be evolved whereby one or the other authority would hold itself responsible for the goods during the stages of the Customs Examination and appraisement. Reference was also made to the proposed addition of Section 64A to the Bombay Port Trust Act designed to empower the Port Trust authorities to sell goods which had not been removed from the Docks within one month from the date of landing and it was suggested that the same should not be proceeded with.

Proposed Addition of Section 64A to the Bombay Port Trust Act regarding Sale of Goods

In a letter dated 22nd October addressed to the Bombay Port Trust, the Committee referred to the proposal of adding Section 64A to the Bombay Port Trust Act designed to empower the Port Trust authorities to sell goods which had not been removed from the Docks within one month from the date of landing. The proposal was more or less being sought

to be justified on the analogy of similar powers vested in the Railway administration under the Railway Act. It was pointed out that due weight had not been given to the practical difficulties experienced by merchants in clearing the goods from the Docks in the existing condition of congestion and the fact that arrangements for moving the imported goods to upcountry centres depended on such factors as imports and Customs formalities, the availability of railway transport from the Docks to the ultimate station of destination, etc. They therefore were of the opinion that under the stress of temporary factors changes should not be brought about in the permanent interests of the trade and the importers.

Introduction of a Pass System for Admission into the Docks

The Port Trust had before them a proposal of introducing a 'pass' system for admission into the docks so as to restrict the entry of undesirable persons. The proposal was mooted in view of the growing incidence of thefts and pilferage in the docks. The Committee in a letter dated 30th June addressed to the Bombay Port Trust pointed out that the introduction of a 'pass' system for admission into the docks for the above purpose would not achieve the object in view. Such a system was in existence during war-time and looking to the hardship that the public visiting the docks had then to experience the Committee were of the view that it was not necessary to resort to the war-time measure of introduction of a 'pass' system for admission into the docks. They welcomed the various measures adopted by the Port Trust to remove the evil of pilferage of cargoes and in addition suggested that authorities should arrange for police guards in sufficient number to maintain vigilance over undesirable elements and that pilferers when caught red-handed should be heavily penalised.

Complaints about Delay in the Issue of Short-landed Certificates

In a letter dated 27th October addressed to the Bombay Port Trust the Committee referred to the difficulties experienced by importers as a result of the delay by the Port Trust authorities in issuing certificates regarding consignments which were short-landed as a result of which merchants were

not able to put in their claim for refund of duty with the Customs authorities in time in respect of consignments short-received. The Customs had provided that such claims should be lodged within 3 months from the date of the original payment and if the certificate from the Port Trust which was required to be submitted along with such a claim was not forthcoming within a reasonable time the party's claim for refund of duty would be time-barred. They, therefore, requested the Port Trust authorities to make the necessary arrangements to ensure that if within a reasonable period of 2 or 3 weeks a consignment was not traced, short-landed certificates should be immediately given so as to afford ample time to the consignees to prefer their claims to the customs authorities and to recover the refund within the time-limit prescribed under the Sea Customs Act.

Levy of Demurrage Fees in respect of Detention of Cargoes as a result of the Orders of the Import or Export Trade Control Authorities

The concession in the form of levy of demurrage fees at one-third the single rate from the date of expiry of free-days for an indefinite period is being allowed to an importer on production of a certificate from the Assistant Collector of Customs confirming that the period of detention was due to the " operation of control orders ". The Port Trust authorities were understood to be considering modification of this concession so as to ensure that such concession was granted only in cases where goods were detained solely as a result of the " operation of control orders " and not on account of any breach of the licencing rules on the part of the importers. The Committee in a letter dated 30th August 1948 addressed to the Bombay Port Trust pointed out that the certificates issued by the Collector of Customs in this regard were *bona fide* in respect of goods detained as a result of Control orders and that they were not issued to the importers whose goods were being detained as a result of breach of the licencing rules. The Committee, therefore, urged that the above concession should be continued to be granted on the basis of certificates of the Customs Authorities.

Proposal to Levy a Surcharge in Shipping Freight on Goods consigned to Bombay

In a letter dated 16th September addressed to the Bombay Port Trust the Committee referred to reports that as a consequence of the congestion in the Docks of the Bombay Port, the shipping companies had decided to impose a surcharge of 25 per cent on all rates and charges for cargoes to Bombay after the 1st October and that this increase was to remain in effect until the congestion in the port improved substantially. They pointed out that such measure would create innumerable difficulties for the importers and would also increase the price of imported articles. Where such imported articles were used for manufacturing activities the cost of production for indigenous manufactures would also rise substantially. They were of the opinion that in the existing condition of a very high price structure it was not desirable to enforce measures which would tend to cause increase in prices. They, therefore, requested the Port Trust authorities to persuade the Shipping Companies not to go ahead with the proposal. They suggested that if necessary the authorities should enlist the assistance of the Government of India with a view to the proposal of the Shipping Companies being abandoned.

Wharfage incurred in the Bombay Port Trust Docks on Bright Shafting Imported by Messrs. Shaparia Docks & Steel Company Limited, Bombay

Messrs. Shaparia Docks & Steel Co. Ltd., Bombay, had drawn the attention of the Committee to the inordinate delays on the part of the Customs authorities in releasing the above goods and the consequent payment of demurrage charges. The Company imported two consignments of bright shafting from U.K., one in the month of July 1947 and the other in the month of September 1947. The Customs authorities refused to pass the goods unless relevant import licence was produced by the importers. The consignments were, however, imported under the O.G.L. and the first consignment arrived under the Bill of Lading dated 6th June when the O.G.L. was still in force and the second consignment, received in Bombay in September, was certified by the Shippers to have been delivered to the carriers before the 30th June 1947.

The consignments were subsequently released in November 1947 and the party had to pay heavy wharfage charges. The Committee requested the Customs authorities to enlighten them about the circumstances which necessitated such delays in releasing the above consignment resulting in heavy penalties to the importers concerned.

Unsatisfactory Arrangements for Storing Goods in the Dock

In a letter dated 4th October addressed to the Bombay Port Trust the Committee referred to the complaint from Messrs. Cosmic Services, Bombay, in regard to the consignment of 80 drums of caustic soda in respect of which no proper storing facility had been provided in the Docks. The Port Trust authorities had informed them that in view of the prevailing conditions of congestion it was not possible to provide for shed accommodation for chemicals. The Committee pointed out that even if covered accommodation was not available the Port Trust should at least provide for tarpaulin coverings for such consignments of chemicals which would otherwise deteriorate and get damaged. They requested that the Port Trust authorities should see that such costly goods landed in the Docks did not suffer deterioration for want of necessary protection in cases where shed accommodation was not available.

The Port Trust in their reply dated 25th October informed the Committee that during the monsoon period cargo in respect of which open storage was permissible was covered with tarpaulins which were attended to and kept in order at the end of the day by mobile squads detailed for the purpose. It happened, however, that during the process of examination or delivery the tarpaulins were discarded by the consignees and the cargo was left exposed. The consignees' labour engaged in deliveries should therefore be properly supervised so as to eliminate much of the damage complained of.

Difficulties in the Matter of Tracing of Goods in the Docks

In a letter dated 17th November addressed to the Bombay Port Trust the Committee pointed out that Mr. B. L. Anantbhat, a member of the Chamber, had drawn the attention of the Committee to the fact that a consignment of 3,360

bags soda ash light fine white powder which, arrived by s.s. "Henry M. Stephens" was after landing not traceable. They pointed out that this was an issue of very great importance to the commercial community. Total loss of the consignment after landing was a matter which called for immediate and serious action. They therefore requested the authorities to have the matter investigated immediately.

Strike in the Bombay Port Trust

As mentioned in the Report of the Chamber for the year 1947, the Committee had addressed the Bombay Port Trust urging that the period beginning with the commencement day of the strike of the employees and ending with at least two days following the end of the strike should be treated as *Dies Non* period. The Port Trust in a reply dated 31-12-47 informed the Committee that all days from Saturday, the 15th November 1947, to the midnight on Monday, the 24th November 1947, were treated as *Dies Non* for the purpose of collecting demurrage charges.

Interview with the Chief and Financial Commissioners of Railways

The Committee met Mr. K. C. Bakhle and Mr. I. S. Puri, C.I.E., Chief Commissioner and Financial Commissioner of Railways on Tuesday, the 21st September 1948, when discussion took place on the following points:—

1. Financial Position.
2. Contribution to General Revenues.
3. Depreciation Fund.
4. Railway Rates and Fares.
5. Transport difficulties and wagon shortage.
6. Assessing loss or damage to consignments while under the care of Railways.
7. Disposal of claims by Railway authorities.

Proposal to introduce Two Classes in the Suburban Services

The B.B. & C.I. Railway had under consideration a scheme for introducing only two classes, upper and ordinary

in the suburban services. The representative of the Chamber on the Local Advisory Committee of the B.B. & C.I. Railway had desired the views of the Committee in this connection. The Committee in reply informed the representative that they had no objection to the proposal for having only two classes of accommodation in the suburban railway services. In this connection they had also requested the representative to draw the attention of the Railways to the question of suburban season-ticket holders travelling with certain types of commodities in upper class compartments. They pointed out that in order to take advantage of the upper luggage allowance available for the upper class season-tickets a number of milkmen took out upper class tickets and on occasions travelled in such classes with their milk-cans as a result of which the space available in the upper class was limited and passengers in those classes were considerably inconvenienced. The Railways should therefore be requested to make efforts to ensure that the passengers carrying over milk or fish were allowed to travel only in compartments reserved for carriage of milk and fish and should not be entitled to travel in the upper class if they carried with them the goods in question. They also requested him to elicit information from the Railways in regard to the rates proposed for the two classes, upper and ordinary, under the revised arrangements.

Cancellation of Reservation of Railway Accommodation and Deduction on Unused Tickets

In a letter dated 20th February, addressed to the Railway Board, the Committee referred to the practice introduced during the war of reserving accommodation before a specified period and deducting by way of penalty 10 per cent of the amount before refunding the same in cases where reservations had to be subsequently cancelled. The Committee pointed out that the above provisions were of an emergency application and it was not proper for the Railways to impose on the passengers a penalty of 10 per cent. They further suggested that with a view to avoid accommodation going unoccupied as a result of last minute cancellation, it might be provided that intimation in regard to cancellations should be notified to the Railways before 24 hours of the departure time of the train concerned, and the railways might continue to levy penalty

for cancellations subsequent to this time limit of 24 hours. They requested the Board to consider the above suggestion and issue necessary instructions to the Railways as suggested above so as to minimise the difficulties of *bona fide* passengers.

The Board in their reply mentioned that the existing rules governing the grant of refunds on unused tickets were introduced in public interest for obviating spurious reservations and circumstances did not warrant any change in the same at present. It was added that even under the present rules the Refunding Authority of each railway had discretion to waive the deduction of 10 per cent of the fare wherever there were good reasons for such a course of action.

Increase in Season Ticket Fares

The Committee in a letter dated 7-2-1948, addressed to the Railway Board referred to the increase in the season ticket fare from Bombay to Poona. The ordinary 1st class monthly season ticket fare from Bombay to Poona before the increase was Rs. 125. Under the revised rate the same had been raised to Rs. 450. Similar increases had been effected in respect of season ticket fares for the other classes. The Committee pointed out that since a long time authorities in Cities like Bombay had been encouraging the development of suburbs and special facilities in the shape of accelerated and frequent railway timings were arranged and season ticket fares for health centres like Poona and Lonavla were also kept at a reasonable level. The Committee requested that the position should be reviewed and the season ticket fares should be restored to the level of pre-increased rates, and, if that was not feasible to reduce substantially the extent of the increased burden. It was pointed out that if such relief was not arranged residents in outlying parts or centres would experience many difficulties.

The Board in a reply dated 23rd February contended that season ticket fares between Bombay and Lonavla and Poona and Khandala which were not regarded as suburban stations of Bombay, had hitherto been too low and unremunerative. It was regretted that efforts to rationalise the basis of charges for non-suburban season tickets, involved greater quantum of increase in some areas, but expressed their inabi-

lity to again introduce lower non-suburban season ticket fares on particular sections. The Committee in a further letter dated 11th March 1948 observed that the new basis of fares would have a regressive effect on the use of the facility of the Railways for frequent travel between Bombay and centres like Poona, Lonavla, etc. They further pointed out that condition of the Railway finances since the increase was put into force, had changed for the better and that, therefore, there was a special justification for some relief in the charges for season tickets between Bombay and Poona, Lonavla, etc.

Claim for Compensation for Loss of Coal Wagons

The Committee had addressed the Railway Board in connection with the difficulties experienced by Messrs. Pioneer Magnesia Works Ltd., in the matter of obtaining compensation for loss of coal wagons in transit. Their claim for two coal wagons lost in transit had for a long time not been attended to and the Committee, therefore, requested the Railway Board to take steps to expedite the payment of the claim in question. The Board in their reply regretted the delay that had occurred in the disposal of the claims and suggested that the party in question should approach the B. B. & C. I. Rly. in the matter. The Committee in a further letter dated 13th September pointed out that Messrs. Pioneer Magnesia Works had since a long time lodged their claim for compensation with the B. B. & C. I. Rly., but that no response had been made from that Railway even though considerable time had elapsed. In this connection they further pointed out that under the bye-laws in the Railway Rules a Claim became time-barred after 6 months from the date of despatch while there was also a provision whereby the obligation of the railway to deliver the goods was limited only to a period of 6 months. They pointed out that the above two bye-laws were contradictory and that a large number of claims as a result of the enforcement of the above two bye-laws were rejected to the detriment of the commercial community. They, therefore, strongly recommended that the above bye-laws should be suitably amended with a view to enable the claimants to recover their claims within a period of one year from the date of loss advice to the consignors and consignees.

The Board in their reply, observed that under Section 77 of the Indian Railways Act claims for compensation for loss or damage to goods tendered for despatch by rail was required to be preferred within 6 months from the date of delivery of goods for carriage by Railway. It was true that there was no statutory binding on railways to effect delivery of consignments tendered for despatch within a prescribed period. The consignors were, however, not prevented from preferring their claims within the legally prescribed time-limit of 6 months. It was therefore not possible to amend the bye-law in the manner suggested by the Committee. The Committee in a further letter dated 4th November pointed out that as there was no time-limit within which the Railways were bound to deliver the goods there was some difficulty in the matter of computing the period within which claims had to be lodged. In the case of total loss the owner would not be able to know unless there was some intimation from the Railway to the effect that the goods had been lost. They, therefore, suggested that some provision should be made for intimating the loss on such occasions and the time-limit of 6 months should operate only from the date of the delivery of such notice.

The Board in their reply dated 2-12-48 observed that under Section 77 of the Indian Railways Act, 1890, a claim for compensation for loss of or damage to goods was required to be preferred within six months from the date of the delivery of the goods to the railway for carriage and not from the date of delivery by the railway. Accordingly if the delivery of a consignment was not effected by the Railway Administration concerned within a reasonable period from the date of booking of the consignment there was nothing to prevent the consignor or the consignee from preferring his claim for non-receipt of the consignment within the legally prescribed time limit of six months.

In view of this there was no justification for an amendment to the Indian Railways Act, 1890, as suggested in your letter under reply.

Delay in Settlement of Claims for Compensation

The Committee had addressed the Railway Board in connection with the long delay in the settlement of claims

for compensation. The Board in their reply dated 4th March stated that the question of minimising delays in the disposal of claims by railways was examined by them in detail as a result of which the claims' branches were expanded considerably, but unfortunately conditions continue to be difficult in railway claims' offices and, therefore, the disposal of claims were not in all cases as expeditious as could be desired. In regard to specific cases of unsettled claim for compensation it was mentioned that the claim had since been paid.

Payment of Claims against the Railway Administration

In a letter dated 24th February addressed to the Railway Board, the Committee referred to the difficulties experienced by the members of the Bombay Underwriters' Association in obtaining refunds from Railways in India in respect of claims lodged against several railways for non-delivery, loss of consignment, etc., against which the Railways were liable. The Committee mentioned that while they realised that the Railways were put to a great stress in times of the present crisis they did not see any reason for delaying payment of just claims submitted by the consignors or consignees for which the Railways were responsible. They pointed out numerous instances of inordinate delays in settling such claims by the Railways and urged that the Railway Board should issue immediate instructions to the Railways for immediate settlement of such claims.

The Board in reply dated 19-4-48 informed the Committee that they would look into the matter on the Bombay Underwriters' Association furnishing to them the details of the claims for compensation which had not been settled.

Issue of Railway Receipts against Booking of Goods

The Committee in a letter dated 21st July addressed to the B. B. & C. I. Rly. referred to the practice of issuing Railway Receipts against booking of goods some days after the goods were actually booked and pointed out that as a result of the Railway Receipts not being issued simultaneously with the booking of goods consignors were sometimes put to financial losses because of thefts of the goods between the time of booking of goods and the time of the issue of Railway Receipts.

They, therefore, suggested that either the practice of late issue of Railway Receipt should cease or in the alternative at least Kacha receipts should be immediately issued to the consignor on the booking being accepted. They requested that necessary instructions should be issued to the goods superintendent to take necessary measures to remove the above difficulties.

The Railway in their reply dated 6th October informed the Committee that it had now been decided that the goods accepted for booking prior to notification of restrictions affecting their booking should be booked and cleared irrespective of the restriction. There would, therefore, not be any inconvenience to the trading public in future.

Re-opening of Parcel Booking Office at Musjid Station

The Committee had addressed the Chief Traffic Manager, G.I.P. Railway, in a letter dated 10th May, stressing the importance of re-opening a parcel booking office at Musjid Station to facilitate the work of the business community in Mandvi Area. The Chief Traffic Manager in his reply dated 8th June 1948, informed the Committee that the question of opening of a parcel booking office at the Musjid Station was receiving his attention and that a special parcel office was being constructed to handle the parcel traffic. It was, however, added that it would take some time to complete the building and to open the station for such traffic.

Special Freight Rates for Crude Oil and Liquid Fuel

In a letter dated 10th March, addressed to the B. B. & C. I. Railway, the Committee referred to the representation of the Gujrat Paper Mills, Ltd., Ahmedabad, to the effect that the special rates allowed to them in respect of crude oil and liquid or diesel oil loaded in tank wagons from B.P.T. Railway stations to Barajadi had been withdrawn since April 1947, which rates were allowed to them since January 1938, as also during the war. The Committee referred to the high prices of diesel oil and recommended that with a view to relieve the mills of the high overall cost of the oils, special rates granted to them since a long time past should be continued. The Chief Traffic Manager in a reply dated 19th March stated that crude oil and liquid fuel were charged at ordinary

tariff rate when booked from the Bombay Port Trust Railway Stations to stations on the B. B. & C. I. Railway and that, therefore, there was no justification for maintaining a special rate only on traffic to Barajadi Station. It was added that the enhancement in the rates had been effected so as to bring railway charges somewhat nearer to the level of prevailing prices.

Rates for Sugar

In a telegram dated 22nd March addressed to the Railway Board the Committee referred to certain changes in rates for the carriage of sugar to Bombay and other centres. They pointed out that in order to stimulate traffic from manufacturing centres to consuming centres the railways had a recognised policy of special rates from factory ends to port and other important centres. They particularly gave an instance whereunder freight rate for the movement of sugar from Baheri to Bombay had been increased to Rs. 2-5-3 per Bengal Maund while special rates from other factory stations nearabout still continued with the result that the product of the particular factory was faced with the problem of meeting unequal competition. They, therefore, requested the Railway Board to look into the complaint. They further observed that if supplies were brought to Bombay under special rates the supplies could be conveniently moved to other centres by coastal steamers or motor transport. Moreover after the decontrol there had been a substantial increase in the price of sugar. There was, therefore, every justification and need for continuing the previous concession rates.

Railway Freight for Charcoal

In a letter dated 10th May 1948, addressed to the Railway Board, the Committee invited their attention to the recent increase made in the railway freight for charcoal for stations on the G.I.P. Rly. and the B.B. & C.I. Railway. They referred to the difficulties experienced by small consumers as a result of the increased cost of living and pointed out that charcoal being an essential part of the daily requirements of the common man any increase in the freight for that commodity would cause an additional burden to the small income

consumers. They, therefore, requested the Board to examine the recent increase made in the charcoal freight and effect the necessary reduction in the interests of the small consumers.

Freight Rate on Wool and Goat Hair

In a letter dated 10th November addressed to the Railway Board, the Committee mentioned that exports of wool and goat hair which were hitherto being made through the port of Karachi would now have to be arranged through some port in the Indian Union and Bedi port was considered to be the most suitable port for the purpose. In this connection they had mentioned that in order to facilitate movements to Karachi the Railways had given a special rate for wool and goat hair from centres of supply to Karachi. Similarly in order to encourage export of wool from Bedi port the trade interests would like the authorities to give special rate for wool from centres of supply to Bedi port. They requested the Board to give this matter their sympathetic consideration and assist Indian exporters of wool in their efforts to divert exports of Indian wool to the Bedi port.

The Board in its reply dated 7-12-48 observed that since the partition of the country, freight rates had been put up both in the Indian Dominion and in the Pakistan Dominion and other conditions had also materially altered. In view of this, it was not possible to make a justification for a reduction in the existing rates for goat hair loose and wool loose from Barmer and Balotra to Bedi Bunder on the ground that these compared unfavourably with rates in force from these stations to Karachi in the pre-partition days. If, however, the trade interests considered that existing rates were so high as to hamper the free movement of traffic, it was suggested that reference should be made to the Railway Administrations concerned furnishing full justification in support of a request for rate adjustments.

Priority for Movement of Imported Goods

In a letter dated 28th April addressed to the Regional Controller of Railway Priorities the Committee referred to the fact that imported goods received in the docks were given special priority for movement in preference to corresponding

goods manufactured in this country. While they agreed that goods in the docks should be moved as quickly as possible they pointed out that in the matter of transport facilities imported goods should not be placed in any advantageous position over corresponding goods manufactured in the country. Rather the goods manufactured in the country should receive a measure of preferential treatment over imported goods. As an instance in point they referred to representations received by them that imported supplies of bicycles were given quicker transport facilities in preference to supplies of bicycles manufactured in the country awaiting movement from factory ends and requested that steps should be taken to give the Indian manufactured goods the same rating of priority for purposes of transport facilities as given to imported goods.

The Regional Controller of Railway Priorities in his reply dated 10th May observed that imported cycles were not given preference as such but that if they did find a place in the quota for Dock traffic they took the same priority class as allotted to that quota.

Movement of Flour and Cattle Fodder

In a letter dated 16th August 1948 addressed to the Railway Board, the Committee referred to the movement of flour and cattle fodder over the railways under the latest Railway Priority Schedule. The unsponsored movement of flour were regulated under priority class 2(*a*) while the sponsored movements of foodstuffs and perishables including flour were regulated under the priority class 1(*b*). They pointed out that under this category it was practically not possible to secure booking for such movements and that the interests concerned had represented that the unsponsored movements of flour which was considered a perishable food article of great value should be upgraded to Class (1). Similarly, difficulties were experienced by the millers regarding movement of cattle fodder which was now being regulated under class 3(*d*). For this article also it was found very difficult to obtain booking as a result of which scarcity was experienced in the different consumption centres. They, therefore, suggested that same should be upgraded and thus make possible the movement of fodder. They, further, referred to the recent increase in

freight rate of various articles. As an example they pointed out that the revised freight rates for husk were proving to be a great burden to the millers who had suggested that special concession rates for movement of this article particularly for movement to Bombay, Ahmedabad and such other centres should be introduced. The Committee requested the Board to give due consideration to the above suggestions.

Government in their reply dated 2nd November observed that upgrading which might be required for foodstuffs should be referred to the Ministry of Food. As regards cattle fodder it was suggested that specific details of movements requiring upgrading should be given to the Regional Controller of Railway Priorities concerned. In regard to the freight rate for husks the B.B. & C.I. Railway in a subsequent letter informed the Committee that a revised schedule of reduced rates had been introduced for husks of grey pulses and seeds from 1-12-1948.

Booking of F.P. Cotton Bales from C.P. & Berar

As published in the Summary Report of the Chamber for the year 1947, the Committee had addressed the G.I.P. Railway urging that instructions should be issued to the authorities concerned to open booking for cotton bales from stations in C.P. & Berar to Bombay without any delay. The Railway in their reply informed the Committee that instructions had already been issued to move cotton from C.P. & Berar under Class I up to a fixed quota and to run Cotton Express Train as usual.

The Committee in a further letter dated 13th February addressed to the G.I.P. Railway pointed out that at many railway stations in the cotton districts in the C.P. & Berar, the position of stocks of cotton accumulating for want of movement facilities continued. In particular they mentioned that large quantities of fully pressed cotton bales were awaiting movement facilities at Darwha-Motibagh (C.P. Railway). The difficulties of the merchants were aggravated by the fact that storage or godown facilities were not available in the vicinity of the station. The Committee, therefore, urged that special efforts should be made to arrange for the speedy handling and movement of consignments of cotton bales accumu-

lated at the Railway stations in Cotton districts in C.P. & Berar generally and at Darwha Station in particular.

Booking of Cotton to Ahmedabad and other Stations in Gujerat

The Committee had addressed the B.B. & C.I. Rly. in connection with difficulties experienced by merchants in the matter of booking of cotton from Bombay to Ahmedabad and other stations in Gujerat. The Railway in their reply dated 6th April informed the Committee that a few cotton specials were run to Ahmedabad, booking to Main Line stations or to Baroda was at present free and traffic to Delhi was only booked according to a daily quota for general goods traffic permitted by the E.P. Railway.

Transport Facilities for Movement of Woollen Piecegoods to Upcountry Stations

In a letter dated 1st December addressed to the Regional Controller of Railway Priorities, the Committee referred to representations received in regard to the need for arranging immediate transport facilities for movement of supply of woollen piecegoods required in upcountry centres. They pointed out that the demand for woollen goods was seasonal and the cold season having started there would be a demand for woollen supplies during this period. It was therefore necessary to see that supplies reached the centres of consumption well in time. They therefore suggested that the Railway authorities should be requested to arrange for some *ad hoc* movement for a few selected centres in northern India like Cawnpore, Delhi, etc.

The Controller in his reply dated 9-12-48 informed the Committee that *ad hoc* quotas had been sanctioned for the movement of raw materials and finished products of Woollen Mills, under Class I(H). These quotas were available only when consignments were tendered by the Mills or the Mill Agents or when the transport was sponsored. In addition to the allotments for wagon load traffic in the above manner a quota of 100 maunds per day had been set aside from each of the Goods Depot—Wadi Bunder and Carnac Bridge—to be preferentially accepted when sections were open by rota-

tion for acceptance of "smalls" traffic. Out of these 100 maunds, 50 maunds per day had been ordered to be earmarked for daily acceptance for movements to sections not open for booking.

Booking of Glasses, Plywood, etc.

In a letter dated 7th February 1948, addressed to the G.I.P. & B.B. & C.I. Railways, the Committee referred to the difficulties experienced by small merchants and consumers in mofussil centres on account of the closing of booking for consignments of glass and plywood. As a result of such closure of booking inconvenience was caused not only to the trade but also to the consuming public in the mofussil centres. They, therefore, suggested that the Railway administration should consider the feasibility of allowing booking for items like glasses and plywood and low-rating of priority for a short period at any rate at fixed intervals which would enable some movement of the above categories.

The Railway in their reply dated 24th February stated that ordinary goods in small lots moved irrespective of the class of priority in which wagon loads were permitted movement and that consignments in small lots for the present were not accepted below the class in which wagon loads were being accepted. It was added that every endeavour was being made to ease the situation and as soon as operating conditions permitted, the movement of small consignments would be allowed under the normal procedure.

Priority for the Despatch of Ghee Plant by Railway

The Committee in a letter dated 24th February addressed to the Regional Controller of Railway Priorities drew his attention to the difficulty experienced by the Vasant Industrial and Engineering Works, Bombay, in securing effective priority for the despatch of vegetable ghee plant to a station in Patiala State. The consignees had obtained in their favour a priority recommendation from the Ministry of Food. In spite of the above recommendation the party was not given the necessary facilities for the despatch of the above plant. The Committee, therefore, urged that Messrs. Vasant Industrial and Engineering Works should be afforded early facili-

ties for the despatch of the above plant under the desired priority.

Transport of Gramophone Records

In a letter dated 10th March addressed to the Regional Controller of Railway Priorities, Bombay, the Committee referred to the movement of gramophone records over the railways. They pointed out that it had been represented to them that although gramophone records were equally important and had similar entertainment value to cinema films, movement of such records was not given the same priority as that given to cinema films. They pointed out that gramophone records were an important ancillary to the cinema shows and the popularity of cinema films greatly depended on the sale and distribution of gramophone records. They, therefore, requested that the priority for the movement of gramophone records should be adjusted on the basis of priority granted to the films. The Controller in his reply dated 20th March regretted his inability to upgrade the movement of gramophone records generally but added that specific cases of hardship would be considered on merits.

Permits for Movement of Hosiery Goods

In a letter dated 12th May addressed to the Textile Commissioner the Committee referred to the complaints received by them about the difficulties and hardships experienced in getting necessary permits for movement of hosiery goods to centres within the Indian Union in time. They pointed out that the demand for hosiery goods was to some extent of a seasonal character and unless the necessary movement facilities were given within a reasonable time earlier orders on the basis of which applications for permits were made would not fructify. They, therefore, requested that the entire position should be reviewed and necessary modifications in the procedure be made so that applicants could within a reasonable period be advised as to whether their applications for movement permits were granted or not.

Movement of Oilseeds from Hyderabad

The Committee had addressed the Hon'ble Dr. John Matthai, Minister for Transport, Government of India, invit-

ing his immediate attention to the serious difficulties experienced by merchants as a result of accumulation of stocks of oilseeds, pulses, cotton, etc., awaiting despatch from Gulberga and other stations on G.I.P. Rly., in Nizam's Territory, and had urged that in view of the disturbed conditions in Hyderabad State it was necessary that such goods should receive immediate movement facilities. Government in their reply dated 3rd July 1948 informed the Committee that necessary instructions were issued to the G.I.P. Rly. to clear from the Gulberga station oilseeds stocks, exports of which were permitted by Hyderabad Authorities.

Movement of Lubricating Oil from Bombay

In a letter dated 1st December 1948 addressed to the G.I.P. Railway and the B.B. & C.I. Railway, the Committee referred to the difficulties experienced by Messrs. Motor & General Stores Supplying Co., in obtaining movement facilities for supplies of lubricating oil. Even though their name was included in the list of oil companies entitled to movement facilities, they have not been able to get from the Railways the necessary transport facilities. They requested the Railways to let them know the circumstances under which the party in question was not offered the facilities to which they were entitled.

Allocation of Supplementary Petrol Rations to Car-owners in Bombay

The Committee in a letter dated the 28th June 1948 addressed to the Provincial Rationing Authority expressed their views on the questionnaire issued by the special committee appointed by the Government of Bombay, to consider all issues relating to petrol and in particular for devising a system and lay down standards in the allocation of supplementary petrol rations to car-owners in Bombay. In regard to the fair basis of distribution of petrol to the public, the Committee pointed out that the absence of necessary data in regard to figures of supplies of petrol available in the province, the amount needed for essential service and supply required for general movement of private vehicles, it was not possible for them to make any suggestion in this regard. They fur-

ther observed that while exploring the use of alternatives or substitutes to circumvent the present petrol shortage, Government should satisfy themselves beforehand that such use of alternatives would not require other ancillary fuels which might be in scarce supplies in the province; and that such alternatives would not damage the machineries of the vehicles spare parts of which might be difficult to replace. They further urged Government to expedite arrangements for increased production of power alcohol for use as substitute for petrol. In regard to the questionnaire itself, the Committee pointed out that some of the questions asked therein went beyond the usual scope of questionnaires inasmuch as certain questions would appear to be too critical for the purpose of the enquiry and pointed out that such questions should not have been included in the questionnaire. They further suggested that while examining the position in regard to private car-owners information in regard to transport vehicles such as lorries and buses should also be obtained with a view to ensure fair and equitable distribution of petrol to such type of transport.

Increase in the Overall Limits of Laden Weights allowable for purposes of the Motor Vehicles Act

In a letter dated 5th May addressed to the Public Works Department, Government of Bombay, the Committee stressed the desirability for increasing the overall limits of laden weights allowable for purposes of the Motor Vehicles Act. They pointed out that having regard to the present acute transport position prevailing particularly in the province there was scope for relaxation in the limits of laden weights and, therefore, urged that Government should review, consistent with considerations of public safety, the prescribed limits of laden weights allowable under the Act. In this connection they suggested that private carriers used exclusively for the transport of goods and not plying for hire should be allowed a laden weight 50 per cent in excess of that at present allowed under the rules, consistent with public safety. They also suggested suitable amendment to rule 27(2) so as to ensure an automatic increase in the permissible laden weight for vehicles plying in the province.

The Government in their reply dated 11th October 1948 observed that they had carefully considered the suggestions of the Committee regarding the increase in the allowable registered laden weights and overall length imposed on the vehicles but regretted that it was not possible to accept the same. The road surface in this Province was uneven and not very strong and was interspersed with a large number of weak culverts erected for the drainage of monsoon water. Government had therefore to restrict the laden weight to 14,500 lbs. in the interests of the safety of the roads and the vehicular goods traffic. In arriving at the laden weight to be fixed for any vehicle it was necessary to ensure in the interest of safety to roads and vehicles that registered laden weights would be such that when the permissible weight load was evenly distributed over the vehicle it should not cause any single tyre to be subjected to a weight greater than that prescribed as the permissible load in the VIIth schedule. Government had therefore evolved a special formula according to which by means of fixing the factor of maximum weight that could be carried on the rear axle in accordance with the size and number of tyres calculated from the VIIth schedule a registered laden weight resulted which ensured that with a pay load evenly distributed the resultant weight distribution between the front and the rear axles would be such as not to overload either axle and thus would not exceed the permissible tyre capacity according to the VIIth schedule. It was therefore not possible to accept the Committee's suggestion that registered laden weights should be fixed merely on the basis of the number and size of the tyres used.

Issue of Telephone Directory in the Pre-War Form

In a letter dated 6th May addressed to the General Manager, Bombay Telephones, the Committee referred to the question of incorporating in the future editions of the Telephone Directory some of the features and contents which used to figure in the Directory in the pre-war period. During the war due to paper shortage it was found necessary to compress the Directory and discontinue some of the essential features which used to appear in the normal editions. They pointed out that in the altered conditions now it was felt that there was no longer any justification to continuing the above mea-

sures for economising paper. They particularly suggested that the numerical index should be restored and that the facility given to the subscribers, before the war, by way of a choice in the matter of obtaining a Directory in the Gujerati language should also be restored by publishing a Directory in Gujerati language. They also added that considering the importance of the Hindustani language in the altered context of affairs the Directory should be published in Hindustani language also.

The General Manager, Telephones, Bombay District, in his reply dated 24th June informed the Committee that in the opinion of the Posts and Telegraphs Board the numerical lists were superfluous. It was further added that in view of the paper position continuing to be acute it was not possible to undertake the printing of Directories in other Vernaculars.

Re-installation of a Public Telephone at the Customs House

The Committee had addressed the General Manager, Telephones, Bombay, pointing out the need for re-installation of a Public Telephone at the Customs House. The Superintending Engineer, Telephones, Bombay Dist., in his reply dated 29th May 1948, informed the Committee that arrangements were being made to re-instal the Public Telephone at the New Custom House at a very early date.

Radio Telephone Service between India and East Africa

The Committee in a letter dated 11th March 1948, addressed to the Government of India, referred to the Radio Telephone Service established between India and East Africa since September 1947 and in this connection pointed out that the route through which it was operated gave rise to practical difficulties. The service was being operated *via* Great Britain as a result of which in effect it was difficult to obtain telephone connection with Africa. They, therefore, requested that in view of the close business connection between India and Uganda, Government should consider the feasibility of establishing an effective direct radio telephone service between India and East Africa.

II. FINANCE, TARIFF AND TAXATION

The Budget of the Government of India for the Year 1948-49

The Committee in a telegram dated 2nd March addressed to the Finance Minister, Government of India, submitted their views on the budget of the Central Government for the year 1948-49, a brief summary of which is as under:—

They expressed satisfaction that deficit for the current year had been less than that estimated previously. The prospective deficit for the year 1948-49 of Rs. 26.85 crores was, in their opinion, not a matter of much concern particularly as the Budget contained expenditure on items which were not of a recurring nature. They were, however, disappointed that the Finance Minister had not undone the mischief completely which had been created by the unorthodox changes in the sphere of direct taxation introduced last year. They expressed the hope that the capital gains tax as also business profit tax would altogether be removed with effect from 1949-50. They welcomed a reduction of one anna in the rate of super-tax on companies, so far as undistributed profits were concerned. They also presumed that the provision in Section 23-A governing compulsory distribution would be suspended so that the relief could be equally availed of by private limited companies also. They welcomed exemption in regard to the payment of Municipal Taxes on property and donations to charity. They, however, objected to the proposals in the sphere of indirect taxation on items such as tea, coffee, vegetable products and matches which were considered as items of daily use by the common man. The increase by 50% of duty on vegetable products would cause hardship. They particularly objected to the levy of duty of Rs. 80 per ton on oilseeds and Rs. 200 per ton on vegetable oil. Having regard to the Government plans for organized drive for increase in exports, such a duty was calculated to reduce the quantum of exports of oilseeds and vegetable oils which in their opinion should be encouraged in the interest of the country. They suggested that duty on oil, and manganese should apply only to fresh transactions entered after the date of the Budget announcement with a view to obviate

complications likely to arise with foreign buyers. It was their considered view that the proposal to amalgamate and make permanent the surcharge on trunk telephone rates to the basic rate and to increase same from 40 to 60% would not be acceptable as the surcharges were intended as emergency war-time levy.

Railway Budget for the Year 1948-49

The Committee in their communication dated 25-2-48 addressed to the Hon. Minister for Transport submitted their views re: Railway Budget for the year 1948-49, a brief summary of which is as under :—

The Committee at the outset expressed the hope that the many assurances given by the Hon'ble Minister for Transport in his Budget speech would be realised before long and that the present disorganization of the transport system as such would be soon set right. They would not like to make any detailed reference to the inadequate wagon facilities in view of the earnest efforts that were being made to solve the present disturbed conditions of transport. They, however, objected to the proposal contained in the budget speech of the Hon'ble Minister to consider regulation by fixation of quotas and regulation by Zonal control. The Committee felt that although the above proposal was made with a view to stop wasteful transport, Government should take into consideration the urgent desirability of non-introduction of any fresh controls and leave the solution of the present difficulty to the better judgment of the users who surely would not be inclined to pay the cost of such duplicate movement. They also suggested that the present system of controlling transport by granting priorities should also be abolished at an early date. They further referred to the element of corruption and bribery in the allotment of wagons and movements. There was a regular system of unauthorised and surreptitious allotment of wagons in face of the regular priority granted by the authority. If wagons could not be had in the normal course it had been the experience of many that such could be available on the extra price being paid. The present position leading to such unfair practices for obtaining wagons should be checked and the condition of the reported sick

wagons should be thoroughly investigated by an authority constituted for the purpose. Such a check would prove healthy ultimately in the interest of transport in general. They welcomed the proposal to appoint authoritative regional committees to assist controllers in regulating priority.

Budget of the Government of Bombay for the Year 1948-49

The Committee issued a statement on the Budget proposals of the Government of Bombay for the year 1948-49 a brief summary of which is as under :—

They welcomed at the outset the programme of social uplift outlined in the budget proposals and complimented the Government on the nation-building activities and the allotments of expenditure for implementing proposals for improvement of irrigation works, agricultural co-operative movement, cottage industries, etc. They referred to the estimated deficit of 2,63,00,000 rupees and the proposal to meet same by additional taxation yielding rupee one crore and the balance to be met by appropriation from the Post-war reconstruction fund and drew attention to certain items which were of a definitely productive nature and as such should not have been treated entirely as expenditure of a revenue character. They also suggested that an increased proportion of reconstruction expenditure should be met by Provincial borrowing with a view to avoid immediate fresh or additional taxation. The Committee wished Government success in their efforts to secure readjustment of allocation of income-tax receipts by the Central Government under the revised scheme that might be brought into force as a part of the new constitutional plan. The Committee expressed doubts regarding policy of nationalisation of Motor Transport and objected in principle to the exemption of such state-owned business undertakings from taxation particularly as there were private owned undertakings which would continue to operate side by side with the state-owned undertakings. By proper allocation of certain items of expenditure between capital and revenue resources as suggested above, the budgettary position would change. The deficit of rupees one crore was not considered of much consequence in view of the past

surplus years. The utilisation of free balances available with Government would bring about proper adjustment. The Committee objected to the proposed increase of sales tax on luxury articles. They doubted the wisdom of levying stamp duty on transactions in the cotton market and stated that such might lead to diversion of markets which might be so taxed.

Determination of Fair Return on Capital employed in Industry and Profit-Sharing

The Committee addressed a detailed representation to the Hon. the Minister for Industry and Supply, Government of India, on the subject of determination of fair return on capital employed in industry and profit-sharing, the brief summary of which is as under :—

They at the outset drew attention to the Resolution on "Industrial Truce" passed at the Conference held for the purpose wherein it was agreed that capital and labour would share the product of the common effort after making provision for payment of fair wages to labour, a fair return on capital employed and reasonable reserves for the maintenance and expansion of industries. They pointed out that no appreciable result had been arrived at in spite of the above Resolution.

The estimates of the capital requirements for the purpose of implementing the gigantic programme of development of industries in the country ran into many figures. They were of opinion that at such a juncture, when vast schemes of expansion were under consideration, the question of fixing a fair return on capital raised by Government would certainly come in the way of the realisation of the objective of development of the industries in the country.

Capital in this country was proverbially shy and any limitation on return on capital would jeopardise the inflow of capital necessary for development of industries and joint-stock enterprises. If a ceilling was to be put statutorily on the rate of return, naturally the incentive to undertake any risk or face the initial period of uncertainty would be lost. No democratic countries in the world which were foremost

in industrial development had any such official limitation on the rate of return.

The question of guaranteeing losses would naturally arise if limitation on rate of return on capital was proposed. Would Government consider such a contingency in which they would have to guarantee losses ? It cannot be assumed that profits would be fixed and continual. A series of good years may be followed by a span of lean years. Would it follow that financial losses in the lean years would be allowed to be made good in the subsequent good years ?

The rate of yield on fixed yield investments during abnormal periods should be no guide for long-term investments in industrial undertakings. For a country of the size of India, it will not be feasible to fix the same rate of return for different areas and regions, where the rates of return may vary. Could Government fix different rates of return for different regions ?

The dividend declared by a Company or an undertaking was not the exact yield which the present owner was deriving. Dividend in terms of percentage might be comparatively higher ; but it should be related to the cost of the acquisition of the shares. If the rate of return was limited, the inevitable result would be that the market value would go down substantially and lead to a capital loss to the present owners.

The Committee were of the opinion that the present time, particularly when we had before us large schemes of expansion and development of the industries in the country, was inopportune for considering a scheme of limitation on return on capital. With the present level of replacement cost and the cost of new machinery, industries should be encouraged to build up Depreciation Reserves on a more liberal scale.

While the Committee agreed that labour should be entitled to fair wages and fair conditions of work, the level of wages in different industries should be related to the capacity of the particular industry to bear. Profits arrived at after providing for all working costs including wages legitimately belonged to the owners. As the workers were getting

a share of profits in the shape of bonuses given from time to time and that too on a liberal scale in many cases, there should not be any statutory recognition of the principle of sharing the residue as such.

Measures to Fight Inflation

In a letter dated 23rd October addressed to the Government of India, the Committee referred to the measures announced by Government of India which were proposed to be taken to combat inflation. After pointing out that the proposals in question had been generally well-received the Committee pointed out certain anomalies which would arise if the proposals relating to limitation of dividends were given effect to in the manner in which they were indicated in the Press Communique issued by Government. According to the Press Note it was proposed that for Public Companies the amount distributed as dividend should not exceed the average of the two years ended with 31st March 1948 or 6% on paid-up capital whichever was higher. They pointed out that the basis chosen for the limitation should not be the average of the two years referred to above but should instead be any one of the two years ended with 31st March 1947 or 31st March 1948. They further requested that the payment of dividend should be limited to the extent of the average of the rate per cent of the dividend declared in the two particular years and not to the actual sum distributed as dividends during those years as, if the payment of dividend was restricted to the actual amount paid then shareholders of Companies which had subsequently increased their paid-up capital would be faced with hardships. They requested Government that dividend should include any benefit received by shareholders during the year by way of bonus shares or otherwise and that further the option to pay 6% on paid-up capital should be extended to paid-up capital and reserves. They further referred to section 23(*a*) of the Indian Income-tax Act which required the private limited companies to distribute not less than 60% of the assessable income and urged that Government should take early steps to suspend the operation of the section in question. Finally they suggested that Government should incorporate a savings clause

so as to empower them to deal with individual cases in a manner which should be considered fair and equitable.

New Exchange Arrangements for Pakistan and India

Under the existing exchange arrangements for Pakistan and India, Banks and authorised dealers in foreign exchange in India are precluded for negotiating bills of exchange for collection of shipment covering exports from ports in Pakistan. Similarly, Pakistan Banks are also precluded from negotiating bills covering exports from ports in India. An exception had, however, been made in regard to exports from Chittagong, reason for which was the general practice to negotiate bills covering exports from Chittagong with Banks in Calcutta. At the same time to ensure that Pakistan received the benefit of the foreign exchange proceeds of Chittagong exports a separate procedure had been devised for accounting and disposing of foreign exchange resources accruing from exports from Chittagong. The Committee in a letter dated 7th January 1948, addressed to the Government of India, referred to the above arrangement and suggested that the special facility extended to banks in Calcutta of negotiating bills covering exports from Chittagong should also be made available for banks and authorised dealers in Bombay to negotiate bills in respect of exports made from Pakistan port. They mentioned that large shipments of goods owned by the parties in the Indian Dominion were continuing to take place through the port of Karachi and that it would be difficult for shippers to make immediate arrangements for negotiating bills covering such exports with banks in Karachi. They, therefore, requested that at least for a temporary period bills covering exports from Karachi should be allowed to be negotiated by the banks in Bombay in order not to interfere with the normal movement of trade.

Sections 34 and 46 of the Indian Incometax Act— Incometax Investigation Commission

By their letter dated 10-1-48 addressed to the Committee of this Chamber, the Income-tax Investigation Commission forwarded a memorandum regarding the existing law relating to the assessment of tax on escaped incomes and the

desirability of preventing evasion under the above sections of the Act by enlarging powers for re-opening past assessments under the said sections. The Committee in their reply dated 27-2-48 while submitting their views made it clear that they shared the anxiety of Government that every effort should be made to prevent the evasion of payment of income-tax legitimately due. They were, however, of opinion that in doing so, the law should not prove a hardship to *bona fide* assessees and should, therefore, be so framed as to protect the assessees from undue harassment. They recounted the past history of the corresponding section and referred to the amendment of the same in 1939 which was further sought to be amended by the Income-tax Department for preventing evasion of tax. The Section 34 as it stood at present was sufficiently categorical in respect of the powers of the department to reopen assessments about which doubts may be entertained. The spirit of the latest amendment was that the assessee should not be left to the mercy of the Income-tax Officer just because in his opinion the income had escaped assessment. The present section prevented fishing enquiries without any sort of information on the part of the Income-tax Officers. It was the Committee's view that the powers vested in the Income-tax Officers under the section should be conditioned to safeguard and protect the assessees from the said powers being exercised in a manner accepted on the basis of precise and definite *prima facie* information indicating evidence of evasion. They also felt that there should be a finality regarding the powers of the department to open assessment. They felt that in regard to cases in which it was sought to correct mistakes of law and cases involving mistaken interpretation of the facts which were before the Income-tax Officer at the time of the assessment, the department should have no power to reopen such assessments. The assessee could not be held responsible for the obvious mistaken view of the law at the time of the assessment. If the officer had failed to interpret correctly the facts presented to him it was not a matter in which the assessee could reasonably be called upon at a subsequent stage to have the assessment gone through afresh. The department would be, however, entitled to reopen cases in which new facts had been disclosed and if there was some definiteness in the information concerning such disclosure.

The Committee felt that the Commission had not adduced reasons which would justify the need for change in the provisions of the section 34 and consequently they were opposed to any proposal for modifying the same on the lines indicated in the memorandum. They were opposed to the stand taken by the Commission that the assessee should not be allowed to escape assessment for reasons of a technical character and suggesting the inclusion of some provision whereby reopening could proceed notwithstanding such technical defects. Section 34 provides that reopening of proceedings should be completed within four years in cases of under-assessment and within eight years in cases of deliberate concealment by assessees. They felt that the suggestion of the Commission to have further time for reopening the assessment could not be agreed to in the interests of the assessees. The time already allowed under the Act was sufficiently long. Many cases of assessments were pending for a number of years and the provisions for increased time-limit would mean that the assessees would be obliged to preserve their records for an indefinite period. Regarding the suggestion that the income-tax officers should be empowered to serve a notice on a person including a bank holding moneys belonging to the assessees restraining such parties from paying over such amounts to the assessee, the Committee were of the opinion that the income-tax officer should not have absolute powers of immediate recovery. They were, however, inclined to the view that the officer might be authorised to issue prohibitory orders valid for a period not exceeding two months on the holder of the resources restraining such holder from parting with the assets. The tax may be recovered by orders of attachment from the assets so frozen.

Questionnaire Issued by the Income-tax Investigation Commision

The Income-tax Investigation Commission in their letter dated 29th May 1948 invited the Committee to submit their views on the questionnaire issued by them in connection with legal avoidance, evasion and causes which led to the escapement of tax. The Committee submitted a detailed reply to the questionnaire a brief summary of which is as under :—

While the Committee were willing to co-operate with Government in the measures the authorities might take to prevent escapement and evasion of tax due to them, they pointed out that the present difficulties were not the result of any defective and inadequate provisions of the income-tax law but that they arose out of the present administrative machinery and high incidence of tax structure. In effect the Committee drew attention to the lack of co-operation between the income-tax authorities and the assessee public concerned which was responsible for the present position. With the heavy increase in the burden of taxation there was to be expected a natural tendency on the part of the taxpayer to find out devices to pay only as much tax as the law would demand which he would be justified in adopting. The Committee regretfully pointed out further that as had been made fully evident in the process of administration of the law, Income-tax authorities had tried to step beyond the limits of the provisions and had attempted to get something more than was legitimately due from the public. The Committee urged that the Income-tax authorities should curb the over-zealous income-tax officers to remain within the limits prescribed by law and exact payments of tax as was legitimately enforceable. The present income-tax law had developed into a very compact and comprehensive statute after having undergone several amendments since it was originally framed. It was therefore suggested that at this stage no attempt should be made to further modify and amend the law. The Committee were of the opinion that the whole tax system should be thoroughly re-examined and that a new taxation statute of a simplified nature should be evolved. To achieve that objective the Committee suggested the appointment of a high level expert committee including judicial and non-official elements which would go into the whole question of income-tax law and submit to Government their recommendations for a new taxation statute. The Committee replied on important questions such as the Classification of Residents and Non-residents for purposes of assessment, assessment of co-parcener in Joint Hindu Family, Companies and Firms, Mutual Associations, Submission of returns avoidance and evasion, Appellate Procedure, Administration, etc.

Bill to amend the Taxation of Income—investigation Commision Act, 1947

In a letter dated 6th March addressed to the Ministry of Finance, Government of India, the Committee referred to the statement of objects and reasons of the above Bill wherein it was mentioned that in the opinion of Government the provisions in the Act passed last year were not adequate to enable the Investigation Commission to function effectively and observed that while they realised that the Commission must have the necessary powers which would enable them to discharge the work in an effective manner, they submitted that the extended powers sought to be conferred should not be such as would result in harassment to the assessees. Having regard to the above consideration they suggested in detail changes in the various clauses of the Bill.

Bill further to amend the Indian Income-Tax Act, 1922, and the Business Profits Tax, 1947

The Committee in their communication dated 8th July addressed to the Ministry of Finance, Government of India, submitted their views on the above bill, a brief summary of which is as under :—

Clause 7 : Insertion of new Section 33B.—Power to revise Income-tax Officer's Orders.

The Committee were opposed to the revisional powers being conferred on the Commissioner, as the Commissioner was the aggrieved party and hence could not be placed in the position to act as a judge in his own case. He might, however, be entitled to prefer an appeal to the Appellate Tribunal.

Clause 8 : Amendment of Section 34 of the Act.

Under the amendment to the above Section, the Income-tax Department could now start proceedings to deal with escaped or unassessed income "for any reason" which might not necessarily mean that there was any discovery of any definite information obtained by the Income-tax Officer. The Committee after going into the genesis of the provisions in that Section drew attention that the Section was amended in

1939 to the effect that grounds for the reopening of cases of under-assessment or escapement should be definite and precise and that the examination should be restricted on those grounds only. The then Finance Member also supported the above and had expressed then that a fishing enquiry without any sort of information whatever should not be allowed under the Section. He had further agreed to qualify the word "information" by the addition of a condition that such information should be "definite". The intention of the Legislature was that the Income-tax Officer should be entitled to reopen an assessment only on the basis of definite information about escapement. They also felt that there should be some finality to the procedure of official adjustment of the amount of assessment. The Committee, therefore, were opposed to the amendment of the Section.

Clause 9: Amendment to Section 46.

The Committee were of opinion that the Income-tax Officer should have only the power to issue a prohibitory order against any person who held monies on account of the assessees and that no power of attachment of funds of the recovery of the tax should be entertained.

Amendments to the Business Profits Tax Act.

Clause 13: Amendment to Section 2.

The Committee were opposed to the addition of the sub-clause to the effect that Director's remuneration should include remuneration paid to a Director in any capacity other than the capacity of a Director.

With regard to the definition of "working partner" under sub-clause 18 proposed to be added, the Committee were of the opinion that the original clause was sufficiently operative for the purpose.

Clause 14:

The Section dealt with the aggregation of profits in certain cases in respect of individuals entitled to profits arising from more than one business of which at least one was carried on by a firm in which such individual was a partner. The amendment sought to bring under the Section Hindu un-

divided family also. The Committee opposed the inclusion of the Hindu undivided family in the Clause.

Rules framed by Government under Section 10 of the Taxation on Income (Investigation Commission) Act, 1947

In their representation dated 7-7-48 addressed to the Ministry of Finance, Government of India, the Committee objected to Rules 8(1), 8(3) and 8(7), as the said Rules would prove a hardship and therefore required modification.

Rule 8(1): The Rule provides that the Commission may by a written order signed by the Chairman or a Member of the Commission or the Secretary of the Commission authorise an authorised official to enter any building or places, wherein documents or papers were lying. The Committee were of opinion that such authorisation should be from the Chairman or any Member of the Commission only and not by the Secretary of the Commission.

Rule 8(3): The Rule proposed search of males as well as females, who were suspected of having on their person the related documents. The Rule in the opinion of the Committee was *ultra vires* of the Act and could not be enforced.

Rule 8(7): The Rule provided that when any person was searched under the Rule, a list of goods taken possession of should be prepared and a copy thereof should also be handed over to such a person at his request. The Rule, in the opinion of the Committee, was *ultra vires* of the Act.

Composition of the Indian Income-tax Appellate Tribunal

As published in the Report of the Chamber, the Committee had addressed the Government of India on the above subject. Government had replied stating that the appointments to the posts of Accountant Members of the Income-tax Appellate Tribunal were made through the Federal Public Service Commission who were not precluded from selecting an officer of the Income-tax Department to fill such posts. The Committee in a further letter dated 13-1-48 observed that their main objection to the appointment of the officers of the Income-tax Department to such posts

was that however much the officer of the department might strive to become impartial, the departmental bias would always remain with him. Further, it was also desirable to ensure adequate number of accountant members on the Tribunal. In this connection they mentioned that successively three appointments of accountant members had been made from the Income-tax Department which had created an apprehension that Government did not want to adhere to the spirit of the previous assurances. They, therefore, emphasised that the appointment of an accountant member on the Income-tax Appellate Tribunal should be made from suitable persons from the profession. The Government in their reply dated 20th January 1948, informed the Committee, that the points urged by the Committee would be brought to the notice of the Federal Public Service Commission at the time when selection was made by it to fill a vacancy of accountant member of the Income-tax Appellate Tribunal.

Inclusion of Capital Gains for purposes of Applying Section 23A of the Indian Income-tax Act

The Committee in their communication dated 7th January 1948 had represented to the Central Board of Revenue the difficulty arising out of treating of Capital Gains in line with other incomes for the purposes of Section 23(a) of the Indian Income-tax Act. Government in their reply dated 11th March 1948 informed the Committee that there was no prohibition even in the Companies Act against distributing dividends out of capital. According to them even if Section 23(a) was not applied, such income would be distributed under Section 2(6)(a) as dividend. The Committee in their reply dated 27th December conveyed to the Central Board that there was a difference between Public Limited Companies and Private Limited Companies for purposes of inclusion of Capital Gains inasmuch as while there was no compulsion on the part of the Public Limited Companies to distribute the profits as represented by the Capital Gains the Private Companies were obliged under Section 23(a) to distribute the prescribed proportion of profits. The Committee therefore urged exclusion of Capital Gains for purposes of Section 23(a) of the Act. If, however, Government were of the view as expressed in their reply under refer-

ence, they might consider such profits to have been distributed for purposes of inclusion in the total income of the shareholders whereby the liability of the shareholders to supertax would be avoided.

Revision of Rule 29 of the Appellate Tribunal Rules in respect of additional evidence

Under the revised rule 29 of the Appellate Tribunal rules parties to appeals were not entitled to produce additional evidence either orally or documentary before the Tribunal. This was proving a hardship to many assessees who could not afford to engage expert advisers at the original stage resulting in some evidences being left out. The Committee had drawn the attention of the Income-tax Appellate Tribunal in the year 1946 to the difficulties arising out of the above rule, taking away the privilege of the assessees to produce fresh evidence at the appellate stage. The Appellate Tribunal however did not accept the view of the Committee then. The Committee in a letter dated 9th June addressed to the Government of India, Ministry of Law, referred to the correspondence that they had with the Income-tax Appellate Tribunal in the matter and urged that as pointed out above it was very important that the assessee should have right to produce such fresh evidence at the appellate stage. They requested that Government should re-examine the question of the rights of the assessees to adduce fresh evidence before the income-tax tribunal and restore to them the right which they previously enjoyed.

Interpretation of Clause 4 of sub-clause (*a*) of Section IV-A of the Indian Income-tax Act : Determination of Resident or non-resident

In a letter dated 12th January 1948 addressed to the Central Board of Revenue, the Committee referred to the interpretation of the above section which was causing difficulties in the matter of determination of resident or non-resident for the purpose of the Act. Under the section three tests were provided for determining whether a person was resident in British India or not. A new test was however added by amendment in 1941, under which any individual

was considered resident in British India in any year if he was in British India for any time in that year and if the income-tax officer was satisfied that such individual was likely to remain in British India for not less than three years. The clause was specifically introduced for removing hardships in the case of individuals who came to reside in British India for a period of years and who were incidentally treated as non-residents in the year of the assessment. The clause also obviated the difficulty in the case of residents who departed from India early in the financial year. They pointed out that the Income-tax Department applied the provision of this clause in the case of assessees who might have been declared non-residents by the first three tests and who still wished to be treated as non-residents. Such a practice on the part of the officers was proving a hardship in the case of individuals who were obviously non-residents whereby certain income which was not taxable being the income of a non-resident was sought to be taxed by determining such individuals as residents. They suggested that the clause should be made applicable only at the instance of the assessee. The Board in their reply dated 23rd June observed that it was not possible to make clause 4 of section IV-A optional so as to be applicable only at the instance of the assessee. It was however added that the clause where applicable would be applied having regard to all the facts and circumstances of each case. The Committee in a further letter dated 21st July addressed to the Board reiterated their view that the clause should be made applicable at the instance of the assessee. The Board in their reply dated 12th August observed that as the law stood the clause in question had to be applied where applicable but not at the instance of the assessee.

Rule 8 of the Indian Income-tax Rules governing Depreciation

In a letter dated 1st March 1948 addressed to the Central Board of Revenue, the Committee referred to the draft amendments proposed to rule 8 of the Indian income-tax Rules under which it was sought to provide that depreciation should be calculated on monthly basis according to the period for which fixed assets had been used or had been in operation. They observed that they were unable to appreciate the need for

the suggested change. They pointed out that Government had found it desirable to provide a special initial depreciation allowance of 10% on buildings and 20 per cent on machinary. This was intended to be in the nature of a relief to industry. This relief was now sought to be curtailed by the proposal designed to relate the allowance of depreciation to the actual period of use. They suggested that Government should not take any step which would in any way reduce the basis of the relief by way of depreciation now allowable under the rule. If, however, Government insisted on some modification of the rule, the Committee suggested that for buildings, machinery and plant which had been actually in use for less than three months in the year for which assessment was being made, depreciation at half the prescribed rates should be allowed and for period of three months and over the full annual rate of depreciation should be continued.

Allowance of Expenses incurred on Visits to Foreign Countries in assessing Business Income

In a letter dated 23rd March addressed to the Central Board of Revenue, the Committee referred to the previous correspondence on the above subject wherein the Board in a letter had mentioned that "the question of allowing expenses in connection with visit of commercial representatives of firms to foreign countries would depend on the purpose for which the visit to foreign countries was undertaken". In this connection the Committee pointed out that there were occasions when visits were arranged on a collective basis by an industry or trade as a whole. The Indian Chemical Manufacturers' Association recently sponsored such delegation of Chemical manufacturers for studying the development and progress of chemicals and pharmaceutical industry in U.K. and U.S.A. The visit was undertaken in the common interests of all the units represented in the industry, and that, individual undertakings also directly or indirectly benefited by the experience gained during the tour of the Mission. The Committee, therefore, suggested that the expenditure incurred by the different firms or companies on the representatives who formed the personnel of the Mission should be deemed to be expenses for the purpose of the business in question and should be allowed for the purposes of taxation. They

requested the Board to issue general instructions to Income-tax Officers to the effect that expenditure incurred for sending trade, industrial or professional delegations should be treated as expenses allowable under section 10(2) of the Indian Income-tax Act.

Allowance of Expenditure incurred in connection with the Independence Day Celebrations

In a letter dated 13th February 1948, addressed to the Central Board of Revenue, the Committee referred to their circular dated 8th January 1948, whereby Independance Day Bonus was to be allowed for purposes of Income-tax and Excess Profits Tax, if the total of the bonus paid did not exceed three months basic pay of the employees. The Committee observed that by this circular the Central Board of Revenue had conceded the point that expenditure in connection with the grant of Independance Day bonus could be treated as an allowable expenditure under section 10(2) of the Income-tax Act and suggested that the expenditure by way of Independance Day bonus should be over and above the expenditure by way of bonus normally allowed or allowable. They also reiterated their previous suggestion that other items of expenditure in connection with the celebration of the Independance Day should also be treated as allowable expenses.

The Board in their reply dated 24th February observed that they only recognised that the bonus upto three months' pay was a legitimate business expense and that the mere fact that it was paid on Independence Day did not make it inadmissible. What they did not recognise was that bonus paid over and above the legitimate business expense and in consideration of achieving Independence was an admissible deduction.

Exemption on Account of Donations for Charitable purposes

In a letter dated 16th August 1948 addressed to the Central Board of Revenue, the Committee referred to the Amendment of the Indian Income-tax Act, 1922, under Clause 8 of Act 20 of 1948 giving effect to the financial pro-

posals of the Central Government for the year 1948-49. Under the new Section it was provided that any sum paid as donations to any institution or fund established in British India for a charitable purpose and approved by the Central Government would be treated as allowable expenses for purposes of income-tax provided, however, that the sum so paid was not less than Rs. 250. The Committee in this connection pointed out that it was not fair that the sum to be so allowed should be limited to donations of Rs. 250 and above and that the relief in order to be effective and real should be extended to all donations irrespective of the amount. If this was not done the common man would not be enthused or encouraged to contribute his small mite to recognised charities. They, therefore, requested Government to make necessary amendment in the Income-tax Act so as to allow all donations of any amount even if less than Rs. 250 to recognized charities as allowable expenses.

Government in their reply dated 28th September informed the Committee that the minimum limit of Rs. 250 in respect of donations to charities was administratively essential and it was therefore not proposed to amend the law in the manner suggested. It was, however, pointed out that this limit was an overall limit and it was not essential that each particular contribution should amount to Rs. 250 but only that the total of all such contributions, however small, individually, should not be less than Rs. 250 during the whole of the previous year.

Form of Return of Income

In a letter dated 10th August addressed to the Central Board of Revenue, the Committee referred to the notification issued by the Board dated 17th February 1948 in the form of return of income and pointed out that the particulars required to be furnished under section 8 of the Act in respect of any sum or aggregate sums in excess of Rs. 10,000 where the payment represented sale price in connection with sale, exchange or transfer of capital assets or on whose behalf or from whom the assessee has received any such sum and particulars of all such payments and receipts were difficult to be complied with. They were of the opinion that the details required

under this head would be voluminous and that a stock-broker would find it very difficult to submit information to the department. They, therefore, suggested that while keeping in view the necessary requirements, the detailed nature of submission should be dropped and only the salient heads should be retained for purposes of submission of necessary information under section 38 of the Act.

Need for Uniformity and Co-ordination of Policy in the Levy of Sales Tax

The Committee in a letter dated 24-2-48 addressed to the Government of India referred to the need for enforcement of Sales Tax Act operating in different provinces on a co-ordinated basis in the interest of trade and industry. In this connection they invited the attention of Government to resolution No. 5 of the recent Industrial Conference which stressed "that the policies of provincial and states governments regarding the levy of sales tax should be co-ordinated." They enquired as to how far the above question had since received the attention of Government. As an instance in point they pointed out that materials supplied by dealers in Bombay province to parties outside this province were not charged to sales tax. But they were given to understand that the same procedure was not followed in other provinces and materials sent from Calcutta, Madras, etc. were being charged to sales tax and merchants in this province were to that extent being burdened unnecessarily. They requested that such an anomaly should be removed by the Centre at an early date.

Sales Tax on Supplies made to Departments of the Government of India

Messrs. Pragdas Mathuradas (Bombay) Ltd., had represented to the Committee the hardships caused to the merchants in this province as a result of disparity between the Sales Tax Provisions in the Province of Bengal and this Province in regard to supplies made to Departments of the Government of India. Whereas it was understood that there was a provision under the Bengal Sales Tax Act exempting materials supplied to Departments of the Government of India from sales tax there was no such provision under the Bombay Sales

Tax Act. The result was that the rates quoted by the merchants in this province in respect of supplies to be made available at a place in this province were higher than those quoted by their compeers in the province of Bengal to the extent of the sales tax charged in this province. The Committee in a letter dated 21st June addressed to the Government of Bombay in pointing out the hardships caused to the merchants of this province as above, suggested that such hardships could be removed by making a similar provision under the Bombay Sales Tax Act. They further observed that the case under reference only emphasised the need for uniformity and co-ordination of policies of the various Provincial Governments in the matter of levy of sales tax.

Certification of Sales Tax Bills

In a letter dated 5th May 1948 addressed to the Government of India, the Committee referred to the newly introduced practice of requiring Government contractors to submit to Government evidence of payment of sales tax paid by them. As a result of this procedure the office of the Accountant-General, Government of India, required submission of sales tax bills for payment duly certified by Registered Accountants to the effect that the amount of sales tax mentioned in the Bills was actually paid by the contractors. Pointing out the difficulties which the contractors would experience as a result of the above procedure they requested Government to review the position and arrange for the withdrawal of the instructions requiring certification of payment of sales tax. Government in their reply dated 16th August 1948 informed the Committee that it had been decided not to insist on the contractors' submitting proof of payment of sales tax in support of their bills. The Accounts authorities would admit the contractors' claim if there was provision in the relative acceptance of tender for the amount of the sales tax to be paid by them.

Certificate under Rule 26(3) of the Bombay Sales Tax Rules

In a letter dated 26th August addressed to the Government of Bombay, the Committee referred to the notice issued by the Deputy Commissioner of Sales Tax, Bombay Province,

warning the dealers, registered under the Bombay Sales Tax Act to adhere strictly to the provisions of the Rule 26(3) of the Bombay Sales Tax Rules and obtain certificates in the form prescribed in that rule, from all other registered dealers to whom they sold or supplied goods in order to be eligible for exemption under section 6 of the Act. In this connection they pointed out that at the time of the introduction of the Act it was pointed out to Government that it would cause great hardship to the business community if a registered dealer was required to obtain such a certificate from every other registered dealer to whom he sold or supplied his goods. Government had, thereupon, announced that they would not enforce rule 26(3) rigidly and that at any rate a declaration might not be taken from regular customers provided that names and numbers of registration certificates were clearly marked on the relevant bills. In view of this decision of Government to enforce rule 26(3) strictly could not be viewed favourably inasmuch as strict adherence to the said rule would cause a great deal of trouble to the commercial community. The Committee admitted that there should be some arrangement to ascertain the correctness of a dealer's claim to the exemption allowed under section 6 of the Act, but they were of the opinion that it was not necessary for that purpose to require the dealers to obtain declarations from the purchasing registered dealers and that the same purpose would be served if the selling registered dealers were required to mark the names of the purchasing registered dealers and the numbers of their registration certificate on the relevant bills. They requested Government to amend rule No. 26(3) in the light of the above suggestion.

Government in their reply dated 15th November stated that the procedure in regard to obtaining certificates under reference was simplified. Though strictly speaking such certificates were required in respect of every sale, the Sales Tax Officers had been instructed to accept services if they were obtained from particular dealers who were the regular clients of the assessee for all their purchases during a suitable period, say, a month or a quarter. In view of this there was no necessity for dispensing with the services required under Rule 26(3) of the Bombay Sales Tax Act.

Applications for Sales Tax Registration Certificates under the Bombay Sales Tax Act

The Committee in a letter dated 2nd June addressed to the Commissioner of Sales Tax, Bombay, referred to a letter to him by the Karnatak Chamber of Commerce pointing out that merchants who had inadvertently failed to apply for the necessary registration under the Act in time when applied for Registration at a later date the registration in their case was authorised with effect from the prescribed date. As a consequence, the dealers concerned suffered a disability, viz. that as unregistered dealers they had already paid tax for the goods purchased by them from the registered dealers in the intervening period and had again after the registration to pay the tax on the same goods when sold by them. The Committee pointed out that it could not be the intention of Government to subject the same transactions to tax twice. They therefore requested Government that the complaint should be looked into and necessary instructions issued to the Department not to antedate the registration certificates.

Government in their reply dated 9th September observed that it was not possible to accept the suggestion of the Committee regarding non-examination of the question of previous liability of dealers applying for registration as it was necessary that the Sales Tax Officer should correctly fix the liability of a particular dealer. It was however open to a dealer to appeal to the appropriate authority for any relief which might be justly due to him in law and equity from the orders passed by the Sales Tax Officers, for previous periods.

The Bombay Sales Tax Act—Goods despatched to Places outside the Bombay Province

The Committee in a letter dated 6th October addressed to the Government of Bombay referred to the complaints received from the Silk Merchants' Association pointing out that the silk merchants were not granted exemption by the Sales Tax Authorities in respect of silk goods despatched to places outside the Bombay Province prior to April last on the ground that post parcel receipts in question were made out in the names of the agents of the purchasers and not in the names of the firms sending the goods. They pointed out

that usually the agents of the purchasers from places outside the province attended to the work of despatch of the goods bought for being sent out and in due course pass on the receipts to the merchants concerned which receipts were produced by the merchants as proof of the despatch of the goods to stations outside the Bombay Province for purposes of claiming exemption under section 6(2)(a)(iii) of the Bombay Sales Tax Act. Before April 1948 the sales tax officers did not accept these receipts as valid evidence on the ground that they were not made out in the names of the selling merchants themselves. They pointed out that according to their information the silk goods sold to buyers outside the Bombay Province in the above manner were now granted exemptions under the amendment of Section 2(a)(iii) of the Bombay Sales Tax Act introduced in April last. While appreciating the Government's action in this regard they requested that the Sales Tax Department should grant exemptions in the case of goods sold by silk merchants to purchasers from outside the Bombay Province before April 1948 on the strength of Post Parcel Receipts passed on to them by the Agents of the buyers from outside the Province. Government in their reply dated 25th November 1948 regretted their inability to accept the suggestion of the Committee.

Assessment under the Bombay Sales Tax Act

As published in the Report of the Chamber for the year 1947, the Committee had addressed the Government of Bombay, suggesting the need for suitably amending the provisions regarding time-limit for preferring an appeal against the order of assessment so as to provide that a period of 60 days from the date of the final notice of the assessment would be allowed instead of the present time-limit of 60 days from the date of the order of assessment. The Government of Bombay in a reply dated 30th December 1947 stated that all the Sales Tax Officers had been instructed to issue final notice of assessment at the same time as the assessment was made or within a day or two thereafter. As a result of this the delay complained of was not likely to occur again and therefore, no change in the procedure was necessary. It was, further added that the suggestion that assessment and checking of accounts should be made annually would be considered by Government.

Sales Tax on Ghee

In a letter dated 26th May addressed to the Government of Bombay, the Committee referred to a communication from the Ghee Merchants' Association, Bombay, protesting against the levy of sales tax on ghee in this Province. They pointed out that owing to an abnormal rise in the price of ghee during and after the war, the consumption of that article had been adversely affected and the imposition of sales tax on the same at a time when the price of that article was abnormally high would come in the way of encouraging the consumption of an essential and protective food by the community. Further, they pointed out that small consumers as well as retail traders not registered under the sales tax Act imported their supplies from outside the province and such supplies not being subjected to sales tax there were possibilities of sales at a lower price with the result that trade was diverted to some extent to centres outside the province and the normal distributing arrangements were disturbed. They, therefore, urged Government to give these aspects their careful consideration.

Government in their reply dated 22nd June observed that they had carefully examined the question regarding exemption of ghee from sales tax at the time of the re-enactment of the Bombay Sales Tax Act, 1946 and had come to the conclusion that it should not be so exempted. It was pointed out that expenditure on ghee was not an appreciable element in the cost of living of an average working class family and this was one of the reasons which guided Government in not exempting ghee from sales tax. It was further pointed out that difficulties arising from the contiguity of States areas were likely to disappear hereafter as a consequence of merger.

Levy of Sales Tax on Bullion and Specie

In a letter dated 29th April addressed to the Government of Bombay, the Committee referred to the representation of the Bombay Bullion Exchange, Ltd. in regard to the levy of sales tax on Bullion and specie. With effect from 1st April 1948 Bullion and Specie were deleted from the schedule of tax-free goods and sales tax at the rate of ½ anna in the rupee was being levied on the same. The Bullion Exchange had pointed out that bullion and specie should

not be treated on the same basis as other articles of consumption as in this country gold and silver were traditional media for the investment of the resources of the common man as a result of which taxing gold and silver in the above manner would virtually amount to taxing savings. Moreover, they pointed out that as far as they were aware a tax of such a nature was not being levied on bullion in any part of the world. They also pointed out that the incidence of the above tax would reduce the normal margin of profit in transactions connected with bullion trade. The most important objection however was that the tax would lead to diversion of business from the city and the Bombay Province. Bombay was the most important centre for the trade in Bullion and Specie and as a result of this tax there was sufficient inducement for a prospective purchaser of gold to buy his requirements outside the Presidency. The Committee, therefore, requested Government that Bullion and Specie should be restored to the schedule of tax-free goods.

Levy of Sales Tax on Diamonds

In a letter dated 29th April addressed to the Government of Bombay, the Committee referred to the 100% increase in the rate of sales tax on diamonds from first April 1948. They pointed out that almost all the requirements of the country in respect of diamonds, jewellery and other precious stones were first imported into Bombay and subsequently sent out to various parts of the country. Under the scheme of sales tax act, the goods sent out to destinations outside the Province of Bombay were exempt from sales tax as a result of which diamond merchants outside the Province get their supplies tax-free while merchants in Bombay catering to the demands in the City and in the Presidency would have to recover and pay the tax on supplies intended for internal distribution in the Province. This the Committee pointed out would place the merchants outside the Province in a position of advantage which will occasion the possibility of diversion of business to centres outside the Presidency. They incidentally mentioned that the diamond trade was finding itself handicapped by the recent tightening of the Import Trade Control and that if on top of that sales tax was increased, the trade would find itself obliged to operate from centres out-

side the province and there would be a further setback for the functioning of the trade in the Presidency. The Committee, therefore, requested that pending the adoption of a uniform policy of sales tax in all the provinces, diamond and other precious stones should be exempted from the tax in this province also.

Assistance to the Fibre Cards Cans manufacturing Industry

Imported card cans bears a duty of 10 per cent fibre required for manufacturing cans in the country when imported is, however, liable to duty at the rate of 30 per cent. As a result of this tariff inequality the fibre card cans manufacturing industry in the country was considerably handicapped. The Committee in a letter dated 20th August 1948 addressed to the Ministry of Commerce referred to the above facts and pointed out that as a result of such tariff inequality the manufacture of fibre card cans in the country was rendered more costly. In this connection they referred to Government policy of assistance to industry by allowing imports of essential raw materials free of duty or at reduced rates and cited the example of wood imported for the manufacture of shuttle and bobbin for which no duty was to be levied provided they were imported only for the specific purpose of manufacturing shuttles and bobbins. They pointed out that the demand by the fibre card cans manufacturing industry for similar assistance was justified and that they should accede to the request by that industry for the grant of concession of duty-free imports of fibre sheets.

Import Duty on Nickel

As published in the Report of the Chamber for the year 1947, the Committee had addressed the Government of India suggesting that the import duty on raw nickel should be removed with a view to affording relief to industries requiring nickel as one of the raw materials. Government in their reply have stated that the suggestion would be considered along with proposals for tariff changes consequent upon the agreements arrived at at the International Conference on Trade and Employment. The Committee in a letter dated 7th February, addressed to the Government of India, further

suggested that besides the duty on raw nickel (virgin nickel) the duty on high nickel content alloys like Monel, Inconel, Nickel Chromium resistance alloys, etc. should also be removed. These alloys were at present not being manufactured in the country and as there were industries which used such of the alloys it would be an act of encouragement to such industries if import duty on the same were to be removed.

Customs Duty on Import of Gum Benzoin, Gambier, Gumcopal, etc.

The Committee in a letter dated 13th October addressed to the Central Board of Revenue mentioned that during the pre-war period the duty collected on imports of Gum Benzoin, Gambier, Gumcopal, Long-pepper, Cubebs, Pepper, Cambodge, Sago Seed or Pearl Tapioca, Tapioca Flour, Damarbatu and Rattan (Cane) was fixed as per tariff values. Since the war these articles were being assessed to duty on their invoice value. They pointed out that the invoice values of a large number of shipments of the above articles and especially of Gum Benzoin were being disputed by the customs authorities which resulted in mounting up of demurrage charges and in confiscation of certain shipments by Customs authorities. They further pointed out that the customs authorities were not accepting the invoice value of the shipments in question even though supported by such evidences as Bank drafts, indents, purchase price, etc. They, therefore, requested that the Customs authorities should accept the invoice value if the same was supported by in addition to the above documentary evidences a certificate of value from Chambers of Commerce of reputation in the place of origin. If this procedure was not acceptable Government should collect duty on fixed tariff value.

Assessment of Duty on Cork Slabs, Bolts and Coverings imported from a Country different from that from which the Plant is Imported

Imports of cork slabs, bolts and coverings are assessed to duty under the proviso to Item 72(3) of the Indian tariff schedule. In case however of cork slabs imported from a country other than the one from which the relative machinery

was imported a special procedure had been provided with a view to ensure that the goods were used for purposes for which they were claimed to have been imported namely, (1) at the time of import the importer should pay duty at the full rate ordinarily applicable, and (2) if within three months from the date of the import or such extended period not exceeding another three months the importers produced from the manufacturers a certificate that the article imported had been specially manufactured for insulation of air-conditioning plants and another certificate from the Provincial Director of Industries that the articles in question had been actually used for insulation of the specified air-conditioning plant, a refund of so much of the duty already paid as was in excess of the duty leviable under item 72(3) should be granted. The time-limit had been extended to 12 months for the purposes of submitting certificates. In a letter dated 17th September addressed to the Government of India, the Committee pointed out that the time-limit of 12 months from the date of the import was inadequate for the purpose of obtaining the certificates especially the one from the Provincial Director of Industries. They mentioned the case of Bombay Amonia Refrigeration Co. Ltd., Bombay, who had imported such cork slabs early in 1947 but had not been able to start the work of construction of the cold storage till March 1948 due to various reasons. In such cases the Importer would not be in a position to obtain the required certificate from the Director of Industries within the period of 12 months from the date of import and would consequently be debarred from claiming the concession of applying for refund of excess duty. They, therefore, suggested that as long as the difficulties in respect of building construction continued, extension of time for obtaining such certificates should be granted by Government in due course and that the period within which the certificates had to be produced should be counted from the date of receipt of orders by the Collector of Customs at the Ports and not from the date of imports.

Inclusion of Rimming Machines in Item 72(2) of the Import Tariff List

Under the Indian Tariff Act, printing and lithographic materials are classified under item No. 72(2) of the first

schedule to the Act. And, on that basis such materials are liable to an import duty at 10% *ad valorem*. The Committee in a letter dated 6th February 1948, addressed to the Central Board of Revenue, pointed out that rimming machines were not specifically mentioned under the above item. They, therefore, suggested that such machines should also be treated on the same basis as other items of material and machinery required for printing purposes. They requested that steps should be taken to get the item in the Tariff Schedule suitably amended so as to ensure specific mention of rimming machines under that head, and that in the meanwhile necessary relief should be provided by executive instructions so that rims and rimming machines would be charged to duty at the rate applicable to item No. 72(2) in the Schedule.

Tariff Classification of Gowar and Cotton seeds

In a letter dated 3rd April addressed to the Ministry of Commerce, Government of India, the Committee referred to the imposition of customs duty on Gowar and cotton seeds imported into the country from Pakistan as a result of the termination of the Standstill Agreement and in this connection mentioned that the tariff classification for these items resulted in an anomaly in that Gowar would be treated as seeds under serial No. 12 of the tariff schedule and on that basis would be subject to a duty at 30% *ad valorem*. Cotton seeds would be treated as oilseeds and would be liable to a duty of 36% *ad valorem*. They pointed out that although Gowar was generally mentioned as Gowar seed the commodity was not a seed in the correct sense of the term as no oil was extracted from it and it was mainly used as cattle food. If therefore Gowar was treated for purposes of customs duty as seed the cost of cattle food would become almost prohibitive. In order to avoid this hardship, the Committee suggested that Gowar should be treated as coming under fodder Bran and Pollards being liable to be assessed to duty at 3% *ad valorem*. In the case of cotton seed also the main use of the commodity was for cattle food and therefore the duty at the rate of 36% would restrict the use of cotton seed as cattle food. They, therefore, requested to consider the

matter sympathetically and allow these items to be assessed as cattle food.

The Sea Customs Act

The Committee in a letter dated 15th October addressed to the Central Board of Revenue referred to complaints from interests representing import and export trade that considerable difficulty was being experienced because of the absence of an up-to-date and revised edition of the Sea Customs Act and the Customs Manual and requested Government to take early steps to issue a fresh edition of the Sea Customs Act and the Manual and incorporate therein all instructions and orders issued from time to time governing formalities connected with customs procedure.

III. TRADE, INDUSTRIAL AND LABOUR LEGISLATION

Bill to Consolidate and Amend the Law relating to Banking Companies

In a memorandum dated the 17th August 1948, addressed to the Government of India, the Committee conveyed their detailed views on the Bill to consolidate and amend the Law relating to Banking Companies. At the outset, they pointed out that the Banking legislation should not be limited to questions pertaining to the structure and frame-work of banking in the context of Joint-stock Banks only, and that the same should also embrace the institution of indigenous bankers. They also made observations on the following heads :

(i) Power to suspend operations of the Act ;
(ii) Definitions ;
(iii) Prohibition of accepting demand liabilities ;
(iv) Provision of employment of managing agents ;
(v) Restrictions on commencement of business and condition for carrying on business ;
(vi) Restrictions as to payment of dividend ;
(vii) Reserve Fund ;
(viii) Cash Reserve ;
(ix) Restriction on nature of subsidiary companies ; and
(x) Restriction on opening of a new and transfer of existing places of business.

Steps for setting up an Autonomous Association of Accountants

In a letter dated 19th May addressed to the Experts' Committee regarding registration of Accountants, the Committee referred to Government resolution regarding the constitution of an Experts' Committee for the purpose of formulating proposals for making the accountancy profession autonomous and suggested that Government should be moved to enlarge the personnel of the Committee so as to include some representatives drawn from the sphere of trade, commerce and industry. On the question of making the profession of accountancy autonomous they pointed out that they had

already submitted their detailed views to Government in their letter dated 25th June 1947 and that they generally adhered to the views expressed therein.

Bill to make Provision for the Regulation of the Profession of Accountancy in India

The above Bill provides for the creation by statute of an Autonomous Association of Accountants. The proposed new body would be entrusted with the work of securing maintenance of the requisite standard of professional qualifications, discipline and conduct, etc. The Committee in a letter dated 30th November addressed to the Government of India observed that they were in agreement with the central features of the scheme embodied in the Bill. They also made the following suggestions in regard to the various provisions of the Bill.

Clause 4—Entry of names in the Register: The Committee referred to the case of persons who had passed the G.D.A. Examination but had not filled in the necessary articles for being entitled to be treated as registered accountants. They suggested that some provision should be made under the new scheme so as to accommodate persons who had passed the G.D.A. examination subject to certain conditions as to the duties and positions previously occupied and in this connection observed that the Council of the Institute should have power to recognize any fit cases of persons who had passed the G.D.A. examination and who had put in not less than 10 years' service in responsible positions as accountants or in the department dealing with accountants in Government or semi-Government organisations or in business, commercial or industrial undertakings.

Clause 9—Constitution of the Council: The Constitution of the Council as proposed under the clause provides for 3 persons being nominated by the Central Government. They suggested that some indication should be included in the clause that persons nominated by Government would be such as would represent the general interests of the public.

Clause 17—Composition of the Disciplinary Committee: The Committee suggested that members of the Council repre-

senting the Federation of Indian Chambers of Commerce and Industry should as a matter of course be one of the 3 members proposed for the Disciplinary Committee in addition to the President and the Vice-President so as to ensure non-official and non-professional points of view being represented on the Disciplinary Committee.

Clause 20—Disciplinary Action: Under this clause the Council is empowered to remove permanently or temporarily from the Register the name of any member of the Institute who has been found on an enquiry held by the Council to have been guilty of conduct which in the opinion of the Council renders him unfit to be a member of the Institute. An exception is made in regard to alleged misconduct arising out of any income-tax proceedings in which case such enquiry would be conducted by the Central Government and not by the Council. The Committee were not in favour of the above reservation. They were of the opinion that all questions relating to professional misconduct including misconduct arising out of any income-tax proceedings should be dealt with by the Council itself. However with a view to ensure that Government had some say in regard to the Council being empowered to take notice of matters relating to misconduct arising out of any income-tax proceedings they suggested that it should be laid down that the Council should not be entitled to order an enquiry in respect of matters relating to income-tax except on a reference or a specific request from Government.

Bill to Transfer the Reserve Bank of India to Public Ownership

The Committee in a telegram dated 21st August 1948, addressed to the Ministry of Finance, referred the Bill to transfer the Reserve Bank of India to public ownership introduced in the Constituent Assembly and reiterated the view that steps in the direction of nationalisation of the Reserve Bank of India were neither necessary nor desirable in the larger interests of the country. They pointed out that the Reserve Bank under its present set-up and framework had functioned effectively and its work and activities have been viewed with great satisfaction not only here but also in inter-

national spheres. Moreover, although the bank was an institution owned by shareholders the overriding powers of control exercised by the Government of India and the residual interests to National Exchequer in its financial resources had ensured its functions as a truly public undertaking. With the added advantage that the Bank was able to secure for its Board of Management the services and experience of men of undoubted ability in spheres of commerce and industry, they suggested that in case Government had determined to proceed with these changes they should at least allow sufficient opportunities to public to express their well-considered views to the scheme embodied in the bill and to that end should agree to have the Bill referred to a Select Committee and in the meanwhile circulate the same for eliciting public opinion.

Electricity Supply Bill

In a telegram dated 17th January 1948, addressed to the Hon. Mr. N. V. Gadgil, Minister for Works, Mines and Power, Government of India, the Committee referred to the Electricity Supply Bill which was being considered by the Select Committee. They observed that in view of the far-reaching character of the proposals embodied in the Bill, Government should afford further opportunity to public to examine the measure in all its implications and place their views and suggestions before Government. For this purpose they suggested that further consideration of the Bill should be postponed to the next session of the assembly in order to afford fuller opportunities to the interests concerned to place their suggestions before Government.

Bombay Industrial Relations Rules, 1947

The Committee last year addressed the Government of Bombay drawing their attention to certain provisions in the Bombay Industrial Relations Rules, 1947, which were likely to cause difficulties in the way of normal working of the factories and establishments covered by the Rules in question. Under Rule 32 of the said Rules, authorized officers of an approved Union were entitled to hold discussions in the premises of the undertaking concerned with the employees who were members of the Union. It was further provided that

the discussions should be held in such a manner as not to interfere with the working of the undertaking. The Committee had suggested that it should be specifically provided that either the discussions should be outside the working hours or the discussions should be so arranged as to be held at an hour of the day when the particular workers with whom the discussions were to be held were off duty. It was further suggested that such discussions should be held in places a little removed from the departments of the places where actual work was being carried on. The frequency of such discussions should also be limited. Under Rule 34 officers of an approved Union were authorized to inspect any place in an undertaking where any member of the Union concerned was employed. It was suggested that such a right should be qualified by providing that such inspections were normally to be authorized only when they were considered essential in connection with any issue of importance affecting the rights of the worker. The Committee in a further letter dated 13th February pointed out that under provisions of the Indian Trade Unions Amendment Act, 1947, it was provided that the employer was authorized to refuse permission to his workmen to engage in trade union activities during hours of work and that such a refusal would not be deemed to be an unfair practice on the part of the employer. In the light of the above they again stressed that discussions which the Union Officers were entitled to have with member workers in factory premises should be so arranged as not to interfere with the working of the factory. Government in their reply dated 27th March 1948 observed that the wording of the Rules in question was guarded enough and unless it was shown that there was much abuse of the powers given in the Rules, amendments in Rules 32 and 34, as suggested by the Committee, were regarded as uncalled for.

Industrial Disputes Act, 1947: Rules Relating to Formation of Works Committees

In a letter dated 19th April addressed to the Government of Bombay, the Committee referred to the amendment of the Industrial Disputes (Bombay) Rules, 1947, in connection with the constitution and functions of and filling of vacancies in the Works Committees, proposing incorporation of the

rules as appearing in Part V of the Industrial Disputes (Central) Rules, 1947. Under Rule 36 it was provided that where 50% of the workmen were members of a Union or Unions non-union workers should not have any separate representation on the Works Committees. The Committee were of the opinion that non-union workers should have as much right to have their representatives on such Committees as Union Members. Under Rule 38 an employee with a service of not less than 2 years in a factory was deemed to be eligible for election as a representative on the Works Committee. It was suggested that in the case of establishments of more than 10 years' standing the qualifying period of service for a candidate should be raised to three years.

Factories (Canteen) Rules, 1948

The Committee in a letter dated 25th October addressed to the Commissioner of Labour referred to the Draft Factories (Canteen) Rules, 1948, published in Part IV-A of the *Bombay Government Gazette* dated 22nd July 1948 and submitted the following suggestions for the consideration of Government:—

1. The Rule should provide for transfer of management of the Canteen to the Labour wherever the employer and the employees mutually agree.
2. Under Rule 22 the Management of a Factory was required to constitute a Canteen Advisory Committee to tender advice in regard to the working of Canteens.

It was suggested that in establishments where Works Committees formed under the Industrial Disputes Act, 1947, were functioning, the same Committees should be allowed to act as Canteen Advisory Committees envisaged under the Rule.

IV. GENERAL TRADE AND INDUSTRY

Interview with the Hon'ble the Minister for Commerce, Government of India

The Committee had an interview with the Hon'ble Mr. K. C. Neogy, Minister for Commerce, Government of India, on Saturday the 17th July 1948 when the following points were discussed:

Trade-Policy; Import Control; Export Control; Export duties; Forward trading in Oils and Oilseeds; Licensing fees; Appointment of Trade Commissioners abroad; Reciprocal rights for Indian Trade; Insurance Amending Bill.

Interview with the Chief Controller of Imports

The Import-Export Sub-Committee of the Chamber met Mr. G. R. Kamat, I.C.S., the Chief Controller of Imports, on Wednesday, the 22nd September 1948, when the following points were discussed:

1. Import Advisory Council.
2. Administrative Delays.
3. Import Trade Control Bulletin.
4. Procedure for appeals in case of Rejected Applications.
5. "Freely Licensed" items.
6. Surplus Quota.
7. Conditions attached to Import Licences.
8. Import of Goods from Pakistan.
9. Grant of Licences to Industrial Consumers.
10. Fee for Applications.
11. Control on Import of Raw Silk and Spun Silk Yarn.
12. Form of Application for licences.

Interview with the Czechoslovakian Technical Mission

The Committee met the members of the Czechoslovakian Technical Mission on Friday, the 2nd July 1948, when questions pertaining to Indo-Czech trade were discussed.

Visit of the Japanese Trade Mission to Bombay

The Committee met the members of the Japanese Trade Mission on 13th May 1948, when matters relating to trade between India and Japan were discussed.

Interview with the Indian Government Trade Commissioner Designate for Japan

The Committee met Mr. D. G. Mulherkar, Indian Government Trade Commissioner for Japan on Tuesday, the 8th June 1948, when questions relating to Indo-Japanese trade were discussed.

Curtailment of Fuel Oil Supplies to Industries

The Committee in a telegram dated 10th March addressed to the Director-General, Ministry of Industry and Supply, Government of India, referred to complaints from manufacturing undertakings about difficulties caused by curtailment of supplies of fuel oil to industrial undertakings almost to the extent of 30 to 40 per cent. The distributing companies were seeking to justify the cut by the overall shortage of supply and general cut in the share allotted to this country. The Committee pointed out that even previously the share allotted to this country was only about 1 per cent of the total supplies and that therefore it was very unfair to the consumers that the cut should be made applicable to this country. They further added that in some cases the equipment and machinery in use in industries concerned were not capable of being converted for use to other forms of fuel and they feared that the inevitable consequence would be that production would suffer and agricultural operations would also be affected. They requested Government to take up this matter with all supplying and distributing agencies so as to get the cut in the supplies of fuel oil restored.

The Petroleum Officer of the Government of India in his reply dated 23rd April informed the Committee that Government had been able to arrange increased supply of high speed diesel oil and furnace oil during the second quarter of 1948 and that it was hoped that the oil companies would be in a position to meet the reasonable requirements

of industrial undertakings. It was, however, added that all petroleum products were in world short supply. It was, therefore, not certain what supplies would be made available during the third and fourth quarters of 1948.

Prices of Furnace Oil

In a letter dated 13th February addressed to the Ministry of Industries and Supplies, Government of India, the Committee referred to the complaints received from industrial consumers of furnace oil regarding difficulties caused by the recent increase in the price of furnace oil supplied in this country. They pointed out that in May 1947, the price of furnace oil was Rs. 67 per ton. In July 1947, it was increased to Rs. 73-8-0 per ton and from January 1948 the rate had been further increased to Rs. 88-15-0. Thus within an interval of 6 months, the price had been increased by about one-third. Oil Companies justified the increases by suggesting that the increases had been due to increased cost of production, refining and transportation. They had also informed the Committee that the rates were calculated on the basis of a formula agreed to by the Government of India. They, therefore, enquired of Government whether the matter was referred to Government before the prices were increased and whether Government had laid down any formula for determining the rates for furnace oil charged by the Oil Companies. They also requested Government to let them know whether the present rates of furnace oil were fair and reasonable from the point of view of consumers.

Government in their reply dated 31st March observed that India depended for her requirements of fuel oil almost entirely on imports from abroad and the world prices of fuel oil had been rising steadily for some time. Oil companies fixed their selling prices themselves taking into account the various factors operating in the world oil market and according to their information the prices charged to the Indian consumers were not, when compared to prices prevailing in other countries, very high or unfair.

In a further letter dated 18th May addressed to the Assistant Petroleum Officer, Government of India, the Committee referred to their previous communication wherein they

had pointed out that the Oil Companies had given them to understand that the rates for fuel oil were determined on a formula agreed to by the Government of India. They, therefore, requested to let them know if the basis of the formula governing prices had been approved by Government. In regard to the observation made in the Government's letter that in the matter of price of fuel oils the Indian consumer was not being unfairly treated, they pointed out that they were still receiving complaints that the prices charged by the Oil Companies for such oils were even comparatively higher than those prevailing elsewhere. They, therefore, requested Government to furnish them with the figures relating to prices in every important country and if such figures were not readily available with Government the different Trade Commissioners should be requested to secure and furnish the same to Government.

Government in their reply dated 21st June observed that the rates charged by oil companies to the civil consumers for their supplies of furnace oil were more or less in line with those charged to the Government Indentors under the D. G. I. & S. rate contracts. It was further added that according to the information available, oil prices prevailing in most of the importing countries were related to the prices ruling in the Gulf of Mexico. It was regarded as the only free and uncontrolled market for oil supplies in the world, and oil prices in this country were also governed by the same principle of " gulf parity ".

Permission for Overtime Working to Factories

As published in the Report of the Chamber, the Committee had addressed the Commissioner of Labour, Bombay, in regard to the refusal of the Chief Inspector of Factories to permit Messrs. G. G. Dhandekar Machine Works Ltd., to work overtime. The Commissioner of Labour in a reply dated 20th December 1947, observed that the Chief Inspector had certain discretion under Section 44(2) in respect of granting of permission for working overtime and that to work overtime was not a matter of right. The matter, however, was being further examined.

Cotton Textiles (Raw Materials and Stores) Control Order, 1946; Cotton Textiles (Dyes and Chemicals) Control Order, 1946

In a letter dated 23rd March addressed to the Ministry of Industries and Supplies, the Committee referred to the Government policy of gradually removing all controls and in this connection referred to the representations received by them from trade interests to the effect that the control imposed by the above two orders did not now serve any purpose as the materials, stores and dyes and chemicals and colours covered by the control orders were now more or less freely available. They therefore suggested to Government that the position should be reviewed and arrangements made for all such items being decontrolled at an early date.

Difficulties of the Indigenous Cotton Rope Industry

As published in the Report of the Chamber for the year 1947, the Committee had addressed the Government as well as the Textile Commissioner, Bombay, in regard to insufficient quota of yarn allotted for cotton rope manufacturing industry and had urged assistance to the industry in the form of facilities for the import of spinning plants to meet the needs of the Industry. Government in their reply dated 29th January 1948, observed that under the all-India yarn distribution scheme, rope manufacturers who came under the category of miscellaneous consumers of cotton yarn, should approach the Provincial Textile authorities for their requirements. The Committee in a letter dated 24th February, addressed to the Provincial Textile Controller, drew his attention to the difficulties experienced by the rope manufacturing industry and requested him that in terms of the letter received by them from the Government of India in this connection he should go into the difficulties of the cotton rope manufacturers with regard to the allotted quota of yarn.

The Provincial Textile Controller in his reply dated 29th March observed that under the All-India Yarn Distribution Scheme, Bombay Province was getting only 40 per cent of its normal minimum requirements of yarn, and that therefore it was not possible to increase the yarn quota of all the rope factories in general. It was added that if there were

specific cases in which the present supply was inadequate or there were special reasons for supplying more yarn, due consideration would be given by his office to such cases.

Distribution of Imported Bobbins

The Committee addressed the Textile Commissioner in regard to the difficulty experienced by textile merchants as a result of delay in obtaining release permits from the Textile Commissioner's Office for disposal of imported bobbins. In this connection they forwarded the statement received from the Association of Merchants and Manufacturers of Textile Stores and Machinery containing information about stocks of supplies of bobbins with importers and merchants. The Committee further pointed out that stocks were also held by foreign importing houses on behalf of the clients and indentors. In the light of these facts the Committee requested that the whole position regarding the existing control and the distribution of bobbins should be reviewed. They also requested him to consider the feasibility of removing the control over distribution of bobbins. The Textile Commissioner in his reply stressed that the bobbin importers were at liberty to dispose of their stocks within one month of their arrival, if no instructions for their distribution were received by them from the Textile Commissioner's office, and the stockists were permitted to sell re-conditioned imported bobbins outside their annual quotas, and that there was complete freedom of transaction after the period of 30 days, subject to licence provisions.

Control over Handling and Distribution of Denatured Spirit

In a letter dated 7th January 1948, addressed to the Government of Bombay, the Committee referred to the report that Government had certain proposals under consideration to impose stricter control over the handling and distribution of denatured spirit, and, in this connection, mentioned that they had received representations from interests representing the trade in denatured spirit to the effect that the proposals of Government would seriously interfere with the trade. The Committee suggested that the trade interests concerned should

be given an opportunity of placing their point of view before Government before such proposals were finalised.

Control Order over Agricultural Machinery, and its application to Marine Engines

As published in the Report for the year 1947, the Committee had addressed the Government of Bombay urging that the freezing order in respect of Agricultural Machinery should not be made applicable to Marine Engines. Government in their reply stated that release orders for such Engines were being given on application by the party concerned.

Octroi Duties on Cotton Thread, Rayon and Yarn

In a letter dated 25th October addressed to the Borough Municipality, Thana, the Committee referred to a representation addressed to them by Messrs. M. Best Cottton Manufacturing Co., a member-firm of this Chamber in connection with the proposed amendment to the Octroi Rules and Byelaws of the Municipality seeking to levy an Octroi duty on cotton thread, rayon and yarn. They pointed out the handicaps to which the manufacture of cotton would be subjected to if the levy in question was enforced as they would be placed in a position of disadvantage in the matter of competition with similar products produced elsewhere where such manufacturing undertakings were not subjected to such Octroi duties. They therefore requested the municipal authorities to be good enough to reconsider the matter and to agree not to enforce the proposed levy in so far as it applied to cotton thread, rayon and yarn.

Town Duty on Loose Cream

The Committtee had addressed the Bombay Municipality in connection with the levy of Town Duty on loose cream imported into the City. The Municipal Commissioner in his reply dated 13th April observed that Town Duty on loose milk cream imported into the City for the purpose of manufacturing butter had been discontinued with effect from 29th January 1948. The duty on packet butter had also been discontinued with effect from 29th March 1948, and therefore Town Duty was levied only on tinned or canned butter and indigenous butter.

Import Trade Control

The Import Trade Controller had desired the views of the Committee on two proposals which were under the consideration of Government. The Committee in a letter dated 7th January 1948, addressed to the Chief Controller of Imports firstly referred to the suggestion that import licences should be granted only to parties who were in a position to submit in support of their applications, evidence in the shape of firm commitments or contract with the foreign exporter. The Committee, in this connection, mentioned that after making firm commitments if licences were refused or granted for lesser quantities, the applicant would be placed in an unenviable position and the foreign supplier would be very reluctant to agree to firm commitments subject to a condition of such commitments being subsequently covered by licence. The Committee, therefore, did not favour the proposal for making the issue of import licence conditional on the production of evidence of firm commitments. The other suggestion was that a list of licences issued by Government should be published from time to time. The idea was that the full details of the licences issued be published periodically and that the same would act as a check on malpractices like favouritism, transfer of licences, etc. The Committee, therefore, were in favour of full publicity being given to the licences issued from time to time and they suggested in this connection that information should also contain particulars of quantities or values of imports allowed under the different licences granted.

Issue of Weekly Statements of Licences granted by the Chief Controller of Imports, etc.

The Chief Controller of Imports in his letter dated 18th September informed the Committee that decision had been taken to issue weekly statements of licences granted by the Chief Controller of Imports, Deputy Chief Controllers of Imports and Import Trade Controllers and make them available to the various Chambers of Commerce and other trade associations and also in due course to publish a consolidated statement prepared and issued in print as a priced publication. The Committee in a letter dated 4th October informed the

Chief Controller of Imports that they welcomed the decision of Government to publish such statement with a view to check many of the malpractices complained of in regard to the administration of the Import Trade Control.

Imposition of Licensing Fees on Export and Import Business

The Government of India had desired the views of the Committee in regard to the proposal that all business houses dealing in export or/and import to and from foreign countries in the Indian Dominion should be licensed by Government of India and that a licensing fee of Rs. 500 per annum should be imposed on business houses concerned with either import or export trade alone and double that fee should be charged from houses concerned with both export and import business. The Committee in a letter dated 21st June addressed to Government observed that they had carefully considered the above proposal and were of the view that the principle underlying the proposal could not be accepted as the same involved direct encroachment on the very basic principles of freedom of trade. They pointed out that even in advanced countries there was complete freedom of trade and no system of licensing was obtainable. They expressed surprise that Government should propose such a system of raising revenue if that was the underlying principle of the proposed system of licensing business. Such a thing was unsound in principle inasmuch as it sought to tax business at the outset without any profits accruing from the same. They therefore objected to such a system being introduced by Government. Government in reply informed the Committee that the proposal had since been abandoned.

Import Trade Control

The Committee addressed the Chief Controller of Imports requesting him to furnish information in connection with the administration of Import Trade Control on the following points: (*a*) the overall limit in value fixed for imports during the current year, (*b*) the proportion, if any, which had been set apart for being licensed for imports through newcomers; (*c*) the proportion similarly reserved for imports by direct consumers; and (*d*) the proportion reserved

for imports through established importers. The Chief Controller of Imports in his reply dated 30th June 1948 informed the Committee that information regarding overall monetary ceilings for imports of different items from abroad could not be divulged as the information was an official secret. In regard to (*b*) it was stated that due to inadequacy of funds, extent of reservation for newcomers was not based on any fixed proportion and that it varied with different items. With regard to (*c*) it was added that direct consumers were given licences having regard to the overall monetary position but in no case were licences issued to them to cover more than their six-monthly requirements.

Import Control Difficulties

In a letter dated the 2nd June addressed to the Chief Controller of Imports, the Committee referred to difficulties experienced by the importers under the Import Trade Control Policy of the Government of India wherein the following points were stressed:—

They referred to the general apprehension among established importers that they were being slowly ousted from the trade and that licences were being given to newcomers who had practically no experience in the line in which they wished to secure import licences. They suggested that the newcomers' licences should be issued to parties who could satisfy the authorities that their interest in the lines in which they had secured licences was genuine. They referred to the earlier suggestion that full details of the licences issued should be published periodically which would serve as a check on malpractices like favouritism, transfer of licences, etc. In regard to grant of licences to industrial concerns the Committee suggested that the industrial and other consumers should be granted licences only to the extent of their actual requirements and that assurances should be obtained that the goods under such licences would not be brought into the market for sale. It was further suggested that in cases where licences for import of essential goods from dollar areas could not be granted, the licences for the same goods should be issued liberally for import of such goods from sterling area. Lastly, they suggested that Government should take advantage of consulting the

various Trade Advisory Committees instituted by them in the matter of consideration of applications for the grant of import licences.

Fixation of Basic Years for purposes of Import Quotas

The Committee in a letter dated 20th February addressed to the Chief Controller of Imports referred to the difficulties experienced by some merchants in the matter of complying with the requirements of import trade control regulations for submission of proofs as evidence of imports for the basic period in support of their applications for import licences. They pointed out that as a result of the serious explosion in Bombay in the year 1944, merchants of Mandvi area lost all the records connected with their trade, and there were a large number of merchants in this area who had been doing import business since a number of years particularly from countries such as Strait Settlements and Malaya. These merchants were now finding it difficult to substantiate their claim for import licences in the absence of evidence of previous imports. The Committee pointed out that difficulties of these merchants were recognized by the authorities in various spheres and were provided with reliefs and adjustments. Government, therefore, should recognize the peculiar position of such merchants and devise a procedure whereby the parties concerned might not be deprived of their legitimate share of the trade. In this connection, they suggested for consideration of Government that the merchants concerned should be asked to produce a certificate from trade associations to the effect that they were in the trade in the basic years (period) and that the records of their trade were lost as a result of the explosion and thereafter the importers should be allowed the facility of an alternative year as a basic period. The Committee hoped that Government would see the justification for this relief of an alternative basic period in cases of merchants who had lost their records in the explosion of 1944.

The Chief Controller of Imports in his reply dated 13th May pointed out that in such cases the applicant should furnish any of the following evidence to the licensing authority: (*a*) evidence of any quota licences granted in the previous licensing periods; (*b*) certificate from dealers in foreign ex-

change indicating the remittances made through the Bank during the basic year by the importers for the goods concerned; and (*c*) a certificate from overseas suppliers showing the quantity and value of goods supplied to the importer during the basic year.

Import Trade: Conditions attached to Import Licences

In a letter dated 21st April addressed to the Government of India, the Committee referred to Import Trade Control Notification No. 2-I.T.C.-1948, dated 6th March 1948, under which it would be competent to the proper authorities to attach certain conditions while granting import licences, one of such conditions being that licences might be issued subject to the requirement that goods covered by those licences should not be disposed of or otherwise dealt with without the written permission of the Licensing Authority. While realising that the above condition was imposed with a view to ensure that the goods covered by the licences in question were distributed in a manner which would serve the larger interests of the country, the Committee pointed out that there was practical difficulty involved in adhering to the requirements of the condition. In order, therefore, to obviate chances of the condition resulting in vexatious delays in the issue of necessary release orders, the Committee suggested that there should be an automatic time-limit to the duration of the freezing " under the condition ". If within such time-limit no orders were received from the department regarding the distribution of the supplies, the importers should be allowed to be free to dispose of the same. The Committee requested Government to consider the above suggestion.

Release Orders in respect of Imported Iron and Steel Materials

In a letter dated 17th November addressed to the Government of India, the Committee pointed out that importing interests were experiencing difficulties by the delay in receiving release instructions in respect of supplies of imported iron and steel materials such as pipes, fittings, etc. in spite of the fact that particulars in regard to the shipments were furnished to the department. They pointed out that as a result of

this, trade goods and capital of the importers were locked-up and supplies badly needed were not moving as briskly as they should. While appreciating that the procedure of requiring the importers to get release orders from the control authorities was intended to ensure that the supplies were made available to *bona fide* consumers they pointed out that Government should lay down a procedure under which any supplies in respect of which release orders were not issued within a period of two months from the date of the submission of the report regarding the landing of the supplies should be deemed to be free for disposal and the owner should be allowed to dispose it off in such manner as he deems proper. They requested Government to give their sympathetic consideration to the above suggestion.

Import Trade Control and Import of Foreign Goods through Pakistan

In a letter dated 8th May addressed to the Ministry of Commerce, Government of India, the Committee referred to the difficulties experienced by Indian manufacturers as a result of import of manufactured goods into India without restriction from Pakistan territory. Indian manufacturers of cycles had pointed out to the Committee that permission for imports of such goods as were manufactured in the country was more or less restricted to the extent of the deficiency in local production. On the other hand Pakistan authorities had followed an import policy which was comparatively liberal and many articles were placed under open general licence. The Indian manufacturers of bicycles feared that it would be possible under the above arrangements for supplies of bicycles being imported freely first into Pakistan and later transported to the Indian Dominion and thereby nullifying the effect of the Import Control here. To obviate such a position the Committee suggested that immunity in respect of import control as between the two Dominions should apply only to goods which were produced or manufactured in Pakistan and *vice versa*. All foreign goods of foreign origin first imported into Pakistan and then re-exported into the Indian Union should be deemed to be subject to the restrictions of control in force under the Import Trade Control.

Government in their reply dated 27th May observed that it was a fact that goods imported into India from Pakistan were not subject to any control but that such a decision was taken as Government of India were convinced that this was not likely to have any harmful effects on Indian economy. It was pointed out that the import control restrictions were continued mainly with a view to conserving dollars and imports from Pakistan did not involve any payment in dollars. It was further added that before the partition many merchants in India had imported goods at Karachi which were awaiting release by the Pakistan Customs Authorities and that it was not the intention of the Government of India to put any restrictions on the importation of such goods from Pakistan.

Procedure for Import of Goods from the Anglo-American Zone of Germany

Under the revised arrangements governing imports of goods from the Anglo-American Zone in Germany, licences are to be issued on the basis of contracts approved by the J.E.I.A. The J.E.I.A. had stopped the issue of approved orders upto the limit of 10,000 dollars and in its place were issuing open export licences to enable parties who had contracts for orders for the value of less than 10,000 dollars to deal with such matters. The Committee mentioned that the Import Trade Control authorities here should also accordingly issue import licences in respect of applications covered by such open permission from the J.E.I.A. They further mentioned in this connection that the Deputy Chief Controller of Imports, Calcutta, had declined to issue licences in regard to such cases on the ground that the exporting parties had failed to obtain specific approval of the contracts. They pointed out that if the J.E.I.A. decided that orders of less than 10,000 dollars should be covered only by open export licence the importers here could not be expected to produce specific approval of the contracts. They requested Government to examine the complaint and issue necessary instructions to the departmental officers at the various ports.

Licences for Import of Goods from Germany

In a letter dated 11th September addressed to the Chief Controller of Imports, the Committee referred to the representation that they had received from importers to the effect that licences granted for import of goods from Germany were being called back by the Deputy Chief Controller of Imports, Bombay, and a specific endorsement, viz. " other than Anglo-American Zone " was being made on such licences. The obvious implication was that the importer could import the goods shipped from a port in Russian Zone and not from the Anglo-American Zone of Germany and that the goods would have to be of the Russian Zone origin. They pointed out that if this information was correct the importers would be placed in a difficult position in respect of goods which might have beeen already negotiated in the Anglo-American Zone. They therefore requested Government to let them know whether the information was correct and if so the circumstances under which licences generally granted for imports from Germany were now sought to be confined to the Russian Zone.

The Import Controller in his reply dated the 7th October informed the Committee that the Anglo-American Zone of Germany was declared a hard currency country on the 3rd July 1948. Therefore, licences previously granted for import of goods from Germany but which were in respect of imports from zones other than the Anglo-American Zone were required to be called back and placed on them a specific endorsement, viz. other than Anglo-American Zone. Firms who had negotiated for imports from Anglo-American Zones would have no difficulty in getting a fresh licence on the basis of the contracts approved by the J.E.I.A.

Return of Documents for purposes of Fresh Application

The Committee had addressed the Chief Controller of Imports, pointing out the difficulties experienced by importers as a result of non-receipt of documents in time forwarded by them to the Chief Controller's office as evidence of their previous imports. The Controller of Imports in his reply dated 12th March 1948 observed that steps were being taken to return the documents as soon as possible. It was further added

that in cases where importers had not received back the documents they could indicate on the fresh application the officers to whom such documents were sent giving the number and date of the letter with which the same were sent.

Distribution of Imported Supplies of Caustic Soda

In a letter dated 22nd June addressed to the Government of India the Committee referred to the difficulties experienced by importers of caustic soda as a result of the practice in force for purposes of distributing imported supplies of caustic soda to consumers. Under the existing import policy there was a condition attached to the import licence that the goods should not be disposed of after importation without prior sanction of the Development Officer of the Directorate of Industries and Supplies, New Delhi. In this connection it was pointed out that representations had been received to the effect that while this procedure was made applicable to all the other importers of caustic soda, the I.C.I. were required only to get an industry-wise allocation and the subsequent distribution to individual firms was left to the discretion of that firm. The Committee pointed out that if the above position was correct it involved an element of discrimination in favour of the I.C.I. at the cost of the general importers of caustic soda. They therefore urged that such an element of discrimination should be removed and that the whole procedure of importing caustic soda should be put on such basis as to place all importers on equal footing by making available to other importers the same facilities as had been given to the I.C.I.

Government in their reply dated 3rd October informed the Committee that import licences for caustic soda were issued subject to the condition that goods on arrival would not be used or disposed of without the prior concurrence of the Directorate-General, Industries and Supplies, and that the said condition was applicable to the Imperial Chemical Industries. It was added that in view of the improved supply position of caustic soda importers other than the Imperial Chemical Industries (India) Ltd., were no longer required to restrict their supply of caustic soda to consumers to their 6 months' requirements as against which the Imperial Chemical Industries were making supplies only on quarterly basis. Thus there was no

discrimination in favour of the Imperial Chemical Industries (India) Ltd.

Imports of Raw Silk and Spun Silk Yarn

In a letter dated 5th August addressed to the Government of India, the Committee referred to the non-inclusion of the item for import of raw silk and spun silk yarn from foreign sources in the latest Government announcement regarding import trade control policy in respect of the current half-year, viz. July/December 1948. They pointed out that as a result of the complete ban on such imports the prices of raw silk as also spun silk yarn had risen considerably and showed tendency to rise further in future. They referred to the fact that the indigenous production of raw silk yarn was not enough to satisfy the country's entire demand, and that the gap between the indigenous production and the requirement of the silk mills in our country had to be made good by imports from abroad of raw silk and silk yarn. They were of the opinion that the import of raw silk and spun silk yarn would help in supplementing the supplies of silk manufactures in this country and in bringing down the prices of silk piecegoods prevailing at present. They urged that in the interests of the silk industry imports of raw silk and spun silk yarn should be allowed.

Import Licence for Artificial Silk Yarn

By a public notice No. 987 dated 18-1-47, the Deputy Chief Controller of Imports, Bombay, had fixed 1945-46 as the basic year on the basis of which importers would be granted licences for imports of artificial yarn. Subsequently, by a public notice No. 801 dated 8-7-47, applications were called for based on imports in periods prior to 1945-46. The Committee in a letter dated 23-2-48 addressed to the Chief Controller of Imports referred to the above two notices and pointed out that since Government had made a relaxation in their second notice allowing issue of import licences based on imports in years prior to 1945-46, applicants who had already applied for such imports on the basis of basic year 1945-46 should be allowed the facility of applying again on the basis of imports prior to 1945-46 in terms of the subsequent relaxa-

tion as per notice No. 801. The Committee requested Government to give due consideration to the parties for being allowed as above the use of alternative basic period for imports of artificial silk yarn.

The Chief Controller of Imports in his reply dated 5th May regretted that it was not possible to allow the importers to select their own basic period for issue of licences. It was, however, added that if any importer had only small imports for the basic year but before that had been continuously having larger imports, his case would be considered separately on merits, provided, however, that the goods in question were to be imported from easy currency areas.

Procedure for Submission of Applications for Import of Machine Tools

In a letter dated 20th August addressed to the Machine Tool Controller, Directorate-General of Industries and Supplies, New Delhi, the Committee referred to the fact that as a result of the recent change in the procedure, applications for import of machine tools for stock and trade purposes were required to be submitted to Government every three months in one lot instead of individual applications being sent separately and pointed out the practical difficulties resulting from the revised procedure. The supply position in regard to machine tools both new and secondhand in foreign countries was not very easy. The suppliers, therefore, were not willing even in the case of secondhand machine tools to keep offers open for any length of time and that it was, therefore, necessary for importers to accept and confirm the offers for secondhand tools within a period of about 3 weeks. Importers of machine tools in India could not take advantage of such offers under the revised procedure as they would not be able to accept any offers coming to them within the quarter and as they would have to wait till the stipulated date for making applications for the next quarter. In view of the above practical difficulties they suggested that while the present procedure of periodical application should be continued, it should not be at the same time rigidly laid down that applications in between would be completely ruled out.

Import of House Service Lamps

In a letter dated 23rd April addressed to the Government of India, the Committee referred to the inclusion of electric lighting bulbs in the list of articles which would not be licensed at all from any source. They observed in this connection that they were in agreement with the principle that in the existing position of scarce Foreign Exchange, import assistance should be confined only to the extent of the deficiency in local production of a particular line. But they pointed out that from the information placed before them it appeared that supplies of electric bulbs in the country were not adequate to meet the day-to-day requirements of the consumers which had resulted lately in a substantial increase in the prices for such bulbs. They referred to the representations received by them from the importing and trade interests and they added that having endeavoured to obtain information both from the trade interests as well as the manufacturing interests, there was a common ground for the view that there was acute shortage of supplies at the moment, and that unless steps were taken to secure immediate additional supplies from importing sources the scarcity would lead to a steep rise in the prices and result in serious difficulties to the consumers. They therefore requested Government to review the position and relax the control so as to grant licences for the importation of bulbs to the extent justified by the prospective overall deficit. Incidentally they also pointed out to Government that manufacturers of bulbs were experiencing difficulties in getting their requirements of essential materials and urged that adequate facilities should be given to the manufacturers for importation of essential materials.

The Chief Controller of Imports in his reply dated 15th May informed the Committee that it was decided to grant licences for the import from sterling and soft currency countries of a limited quantity of House service type electric lamps, licences for which would be granted on a quota based on value of imports of House service lamps during 1946-47 or any other previous complete year.

Difficulties in connection with Revalidation of Licences

Messrs. Sharma Trading Co. had placed before the Committee their difficulties in connection with a licence for the

importation of electric lamps. A licence in the aobve connection which they had sent for revalidation was received back by them on 27th December 1947. The period of validity of the licence being 31st December, they were not able to avail themselves of the permission granted by the licence for importation of bulbs. Subsequently, imports of bulbs were placed in the prohibited list. The Committee in a letter dated 23rd April to the Chief Controller of Imports referred to the above difficulties and pointed out that they had urged the Government of India to grant import licences for bulbs to the extent justified by a review of the supply position in the country. They had added that should Government decide to issue licences for importation of bulbs as a result of the review of the supply position some special consideration should be shown to importers like Messrs. Sharma Trading Co. who were almost prevented from availing themselves of the imports allowed to them under the earlier licences by reason of the fact that intimation about the revalidation of their licences reached too late to enable them to arrange for the imports of the supplies covered by the licences.

Import of Electrical Goods

Messrs. Sharda Electric Stores, Bombay, had applied for licences for import of electrical accessories, wires, etc. in June 1947, in respect of which, after a prolonged correspondence, they received 33 licences on 19th May 1948; but the validity of these licences was effective only upto 30th June 1948. The Committee in a letter dated 7th July addressed to the Chief Controller of Imports supported the complaint of the above firm that within the short time at their disposal it would not be possible for them to finalise the necessary arrangements for getting the goods shipped, and that, therefore, Government should consider their case and extend validity of their licences for a reasonable period.

The Controller in his reply dated 23-8-48 informed the Committee, that the validity of the relevant licences held by Messrs. Sharda Electric Stores was extended upto 15th October 1948, plus the usual grace period.

Import of Rubies and Sapphires

In a letter dated 11th March addressed to the Chief Controller of Imports, the Committee referred to the Notification under which import of precious stones (rough) was allowed from foreign countries on condition that the same after going through necessary processing would ultimately be exported. The Committee in this connection pointed out that as a result of fixing January-June 1947 as the basic period under the above Notification, import of rubies and sapphires from Burma would be affected as during that period there was little import from Burma of rubies and sapphires. They pointed out that the industry had been importing these stones in rough condition and processing them with a view to export the same to U.S.A. and such other countries and that it was not possible to import rubies in sufficient quantities as the basic period fixed in connection with such imports was not favourable. The Committee suggested that since the quantities imported from Burma would ultimately be exported out of the country, there could be no objection on the part of Government to favour such imports from Burma. They requested Government, therefore, to relax the conditions relating to the imports of rubies and sapphires from Burma.

Import of Clocks and Timepieces from Sterling and Soft Currency Countries

In a letter dated 4th August addressed to the Chief Controller of Imports, the Committee pointed out that watches and parts thereof were allowed to be imported from sterling and soft currency countries and pointed out that alongside these, permission should also be given for clocks and timepieces which were greatly in demand in the country. They urged that Government should allow imports of clocks and timepieces from sterling and soft currency areas. In this connection they referred to the fact that there was some indigenous production of such articles in the country and therefore requested that the imports of such articles should be limited to the extent the country was in short supply of such articles.

Import of Glazed Tiles

In a letter dated 7th July addressed to the Chief Controller of Imports, the Committee referred to the difficulties

experienced by the members of the Bombay Marble and Tile Merchants' Association as a result of banning of import of glazed tiles. They pointed out that tiles were very important as sanitary goods and that indigenous manufactures of such tiles in many cases were not upto the standard and, therefore, did not serve as good substitutes for imported articles. They, therefore, recommended that Government should consider the feasibility of allowing the necessary import of glazed tiles to meet the essential requirements of the country.

The Controller, in his reply dated 10th August, informed the Committee that licences for import of glazed tiles from countries in sterling and soft currency areas would be issued on quota based on past imports.

Import of Hair-Belting

Messrs. Jupitor Mills Stores Co., Bombay, had represented to the Committee that although in January last they submitted their applications for licence to import hair-belting for the January/June shipping period, they were not granted licence and that they had received information to the effect that Government had decided not to issue any licence for hair belting. The Committee in their letter dated 7th July addressed to the Chief Controller of Imports referred to the above complaint and pointed out that Government should have consulted trade interests before coming to a decision in regard to the matter and should have satisfied themselves as to whether the indigenous manufacture of the article was sufficient and of requisite quality to meet the requirements of the various industries. They, therefore, requested that before coming to a final decision, they should take the trade interests concerned into confidence and should enquire into the present supply position of hair-belting of the required type.

The Controller, in his reply dated 14th August, observed that the decision not to issue licences for import of hair-belting was taken on representations from the Indigenous Belting Industries Association pending review of the whole position. It has since been decided that licences for limited quantities of hair-belting would be granted during July/December 1948,

to importers and consumers on the basis of the past imports and that applicants should apply to the Deputy Chief Controller of Imports, Calcutta, for licences.

Import of Quinine

The Committee in a letter dated 7th July addressed to the Ministry of Commerce, Government of India, referred to the delay caused in the clearing of imported quinine as a result of the procedure under which after a quinine consignment was landed in the docks a sample drawn from the same was sent to Calcutta for test. Thereafter the goods were released under bond executed by the importer to the effect that the goods would be disposed of only after the written permission from the Collector of Customs was obtained. They pointed out that the above procedure gave rise to considerable avoidable delays in clearance. They, therefore, urged that suitable steps should be taken to modify the procedure so as to ensure expeditious clearance of quinine consignments.

Submission of Customs Bills of Entry along with Applications for Import Licences

The Committee in a letter dated 20th August 1948 addressed to the Chief Controller of Imports referred to the notification issued on 26th July 1948 which among other things prescribed that applications for import licences should be accompanied by a statement of past imports supported by the Customs Bills of Entry and/or postal declaration forms and pointed out the practical difficulties experienced by applicants in conforming to this procedure. While applying for an import licence for a particular item covered in the Bill of Entry an applicant had to submit the entire Bill of Entry to support the past imports. If, therefore, applications for every item contained in the same Bill of Entry had to be made to the Department there would be difficulty in submitting the relevant Customs Bills of Entry as the importer would have only one Bill of Entry. Moreover, it was not quite easy to get certified copies of Bills of Entry from the Customs Office. The Committee, therefore, suggested that instead of this procedure the Importer should be allowed to quote the Cash No. and that if this was not possible they

should be allowed to make out copies of the Bills of Entry and an Officer should be deputed at each port centre to compare such copies with the original and to authenticate it. They observed that Government should consider these suggestions and should implement them or other similar suitable provisions so as to ensure that importers would not be faced with practical difficulties in the matter of furnishing original Bills of Entry for every application.

The Import Trade Controller in his reply dated 15th September informed the Committee that where one Customs Bill of Entry covered different items of the Import Trade Control Schedule and applications had to be made for different items to the same or different authorities, importers might submit a statement of their imports giving relevant Bills of Entry Cash numbers, the amount of item actually included in the particular Bill of Entry, relevant invoices and Bank Draft for payment. It was also added that the copies of the Bills of Entry might be got verified by the Imoprt Trade Controller at the port.

Clearance of Consignments on Bond

As published in the Report of the Chamber for the year 1947, the Committee had addressed the Central Board of Revenue in regard to the hardship caused to importers by the unsatisfactory nature of the working of the administrative arrangements in the matter of clearance of consignments on bond. The Board in their reply dated 19th May pointed out to the Committee that in the particular instance cited by the Committee proper extension of time was given when asked for. They observed that it was the practice of the Customs House in this matter to grant extension of the time-limit when asked for. Further, in cases in which penalties were imposed and in which licences, clearance permits or other valid release orders were produced, the case was either reviewed by the Customs Collector concerned if the requisite document was produced within the prescribed time-limit of three months or reported to the Board for review.

Cancellation of "Customs Purposes" Licences for Steel Goods

The Steel Import Trade Controller, Calcutta, had issued a notification cancelling all "customs purposes" licences so far issued and had directed the importers of steel goods to apply afresh for such licences for expected shipments. The Committee in a letter dated 22nd March addressed to the Collector of Customs referred to the above notification and pointed out that while there could be no objection to the issue of fresh licences for future shipments, the notification would prove a hardship in case of consignments which were already shipped or had arrived in Bombay, as it would take considerable time to obtain a fresh "customs purposes" licence before the goods could be cleared. To obviate the above practical difficulties they suggested that the authorities should consider allowing clearance of goods on the execution of guarantees on the usual stamp papers for each Bill of Entry or on the execution of a bond, fees regarding the same being not too heavy.

The Collector in his reply dated 3rd June informed the Committtee that in future clearance of steel goods in the absence of import trade control licences would be allowed on the execution of bonds with Rs. 15 stamp duty or such other rate as might be applicable for customs bonds.

Goods imported in Contravention of Import Trade Control —Confiscation and Fine

Messrs. S. K. Kabbur, a member-firm of this Chamber, had placed before the Committee their case relating to the importation of a consignment of imitation jewellery in regard to which the Collector of Customs took action under Section 167(8) of the Sea Customs Act and ordered confiscation of the goods or alternatively payment of a penalty. The Company were given an import licence for the importation of imitation jewellery from Switzerland. Against the above licence they imported by post parcels synthetic stones. The Customs department, however, refused to release the same on the ground that synthetic stones were not covered by the term imitation jewellery. The Committee in a letter pointed out that the importers had imported the articles under the

bona fide belief that synthetic stones were included in the term 'imitation jewellery' and, therefore, Government should review the case and allow the party to take delivery of the goods under the licence. The Board in their reply informed the Committee that the party should first appeal to the Collector of Customs or the Central Board of Revenue as might be necessary; and it would be open to the party to apply to the Central Government for revision under Section 191 of the Sea Customs Act in case they were not satisfied with the decision of the Collector of Customs or the Central Board of Revenue.

Collection of Duty on Compressed Moulding Machine and Hand Pressed Moulding Machine ex. s.s. "Durendra"

Messrs. Jyoti, Ltd. represented to the Committee their case in connection with the imposition of penalty on them of Rs. 200 for alleged mis-declaration of the above goods for purposes of payment of duty. At the time of the presentation of the documents they had given directions for the collection of duty at 10% *ad valorem* thinking that the machinery would be considered as industrial equipment. The Assistant Collector of Customs, however, decided that the above two machines should be charged at the rate of 30% *ad valorem* under Section 72(6) of the Indian Customs Tariff and called upon them to show cause why action should not be taken against them for mis-declaration of goods. The Committee in a letter dated 10th March addressed to the Collector of Customs enquired as to the circumstances and reasons for charging duty on the above goods under Section 72(6), under which Section, the machines obviously could not be charged. They requested that the case of Messrs. Jyoti, Ltd. be re-examined, and they should be given relief in respect of penalty as also the extra duty paid by them, if it was found that their complaint was justified.

Clearance Permit for One Plate Straightening Machine Supplied as Replacement

Messrs. Shaparia Dock & Steel Co. Ltd., cleared under duly issued licence one Plate Straightening Machine sup-

plied to them by their U.K. suppliers during September 1947. The machine as received was found to be not according to their order. The suppliers on realising their mistake shipped another machine of the required specifications during the month of December 1947 as replacement. The new machine was landed in the Docks in the month of January 1948. The Import Trade Controller had insisted on the party paying a penalty of Rs. 2,500 before the clearance of the new machine could be effected. The Committee in a letter dated 10th April referred to the above facts and pointed out that as the above machinery was only replacement of the former machinery wrongly shipped by the suppliers the penalty imposed on them should be waived and clearance permit issued to the Company for the clearance of their imported machinery.

Difficulties regarding Clearance of Goods

Messrs. Bajaj Bros. Ltd., Bombay, had placed before the Committee their difficulties in regard to the release of goods warehoused at the port of shipment on or before the 30th June 1947. The goods had arrived into the port but the Customs Authorities were not giving them permit to clear the goods as the same were not imported against a licence. Most of the goods in question were covered by open general licence and under the belief that the same having been warehoused at the port of shipment before the 30th of June 1947 they did not feel it necessary to have the goods covered by import licences as required by the revised import policy. The Committee in a letter dated 22nd June addressed to the Chief Controller of Imports referred to the above difficulties and requested Government that in view of the earlier assurance by Government that clearance of goods made, paid for and despatched to the Docks warehouses for shipment before 30th June 1947 and not shipped by that date due to lack of shipping space would be allowed, Government should consider the case of Messrs. Bajaj Bros. Ltd., sympathetically and agree to release the goods without imposition of penalty.

Cotton Samples from Overseas Countries

In a letter dated 1st September addressed to the Central Board of Revenue, the Committee referred to the complaints

from importers about the difficulties experienced by them as a result of the action taken by the Customs Authorities either under the powers vested in them in connection with the Import Trade Control or under the provisions of the Destructive Insects and Pests Act, 1940, in confiscating and destroying packets of cotton samples. They presumed that such sample packets were being destroyed by the Customs authorities under the Destructive Insects and Pests Act as according to their information no separate permission or licence was necessary for purposes of importation of [redacted]samples. While appreciating the necessity for safeguarding against the importation of such insects and pests through such samples they pointed out that there was normally a preventive measure of getting such samples fumigated. But there was an administrative practice in force by which packets weighing less than 4½ lbs. were destroyed. They urged that in regard to such samples the fixation of such limits in regard to weight would lead to practical difficulties and therefore suggested that samples of smaller weights should also be fumigated and passed on to the parties concerned. The trade would be prepared to bear the usual charges in force for such fumigation. They requested Government to give this matter their early attention so as to arrange for cotton samples of no value and in smaller weights being imported without any difficulty.

System of Deposits for Tenders

In a letter dated 24th March addressed to the Government of India, the Committee invited the attention to the practice of Government Departments requiring payment of earnest money to the value of about 1/10th of the value of tenders issued by Government by the tenderers concerned. They pointed out that under the above requirements the parties tendering on a large scale would have to pay as earnest money amounts to the extent of lakhs of rupees which they pointed out was a hardship inasmuch as large amount of capital of the industries would be locked up for the purpose of submitting such tenders. Instead, the Committee suggested, Government should adopt the system of requiring Bank Guarantees from the parties concerned with a view to

obviate the necessity of industrial capital being locked up for such purposes.

Collection of Deposits on Cotton reaching Bombay Port from Hubli *via* Marmagoa

In a letter dated 10th March addressed to the Collector of Customs, the Committee referred to the collection of deposits by the Customs Authorities at the rate of Rs. 80 per bale arriving from Hubli *via* Marmagoa before the goods were cleared. They pointed out that under the earlier practice in force the consignee obtained such clearance permits on executing a bond to the effect that the goods were meant for Bombay only. They requested to let them know the circumstances under which the new system came to be introduced and at the same time pointed out that the new imposition of the payment of a deposit at a high rate in the place of the old practice would prove a great hardship to the consignees concerned and therefore suggested that the old practice should again be put into force.

Application Form for the Export of Controlled Commodities

The Government of India had requested the Federation of Indian Chambers of Commerce and Industry to give their views in regard to the various points embodied in the form prescribed for the export of controlled commodities. The Committee in this connection addressed the Federation pointing out the various directions in which the prescribed form needed modification. Under item No. 6 of the form information was required in respect of evidence regarding confirmed sale. The Committee suggested that evidence of offers from purchasers should be considered sufficient for this purpose. They further suggested that the requirement in respect of evidence of letter of credit having been opened was unnecessary and that, therefore, the item should be deleted. Under item No. 8 information was sought in regard to evidence of production during the last canlendar year from a manufacturer. It was suggested that, as an alternative, evidence should be submitted regarding the manufacturing capacity. It was further suggested that the information under item No. 13 regarding branches or offices in foreign

countries should not be insisted upon. It was also added that information regarding income-tax paid should not be called for. Under item 18 information was sought as to whether the applicant was an established quota-holder of any commodity, which information in the opinion of the Committee was not relevant. With regard to the information required in respect of the connection of proprietors or partners of the applying firm with any other firm applying for export licence the Committee pointed out that it was neither possible nor relevant to give such information and that such information should be asked only in respect of partnerships. Similarly they pointed out that the information required under item No. 21 was such that it was impossible to verify the same.

Export Trade in Hides and Skins

The Federation of Indian Chambers of Commerce and Industry had invited the Committee to give their opinion in regard to certain proposals of the Government of India designed to ensure minimum standards of quality of exports of hides and skins sent abroad. The proposals were (*a*) the formation of an Arbitration Board in India presumably to check and scrutinize the quality of export goods with authority to act in the circumstances where necessary, and (*b*) formation of an Appeal Panel to which the agreed parties could submit appeals against Arbitration awards. These proposals were put forward by Government arising out of the complaints received from foreign importers of hides and skins to the effect that samples offered to them did not generally conform with the goods sent and that as a result India's export trade in hides and skins was being substantially affected. The Committee in a letter dated 30th August addressed to the Federation observed that they approved of the above two proposals as an experimental measure which were likely to help in shaping integrity of Indian exporters of hides and skins.

Amalgamation of Quotas for the Export of Cotton Piecegoods

The Committee had addressed the Chief Controller of Exports in regard to the change in procedure relating to ex-

port quotas for established exporters of cloth whereby exporters whose share worked out to less than 20,000 yards on the basis of shipments during the basic periods would not be entitled to any quota on their own right and would accordingly be advised to amalgamate their shares with other exporters. In this connection they had suggested that a quotaholder should be entitled to amalgamate his quotas for different destinations and on that basis should be allowed to claim a share in the quota for a particular destination and also that such established shippers with fractional quotas below the minimum should not be precluded from applying for a share from the quota reserved for newcomers. The Export Trade Controller in his reply dated 5th April informed the Committee that the position had already been reviewed and it had been decided to reduce the minimum limit of 20,000 yards for quota to 10,000 yards for all destinations and it had also been decided to allow exporters whose quotas worked out to less than 10,000 yards to amalgamate their shares for different destinations and indicate the destination for which they would prefer to have the quota. Amalgamations of quotas with other exporters would also be allowed. With regard to the suggestion of allowing small quotaholders to apply under the newcomers' scheme it was added that it was open to any established exporter to relinquish his rights as an established shipper and apply for a quota under the newcomers' scheme.

Export Quotas for Cotton Textiles

In a letter dated 1st December addressed to the Chief Controller of Exports the Committee pointed out that trade interests had represented to them that during the last half-year the demand for Indian cotton textiles from overseas buyers was very slight and that in many cases the quotas could not be used. One of the reasons for this abatement in overseas demand was the adverse price factor. Government had recently decided to reduce the export duty on cotton textiles from 25% to 10% which step was expected to lead to an improvement in the overseas demand. Meanwhile, quotas for the half-year July/December expired on 30th November and, therefore, exporters would not be able to utilize these quotas for fresh export commitments. The

Committee suggested that the validity of the export quotas for July/December should be extended by a couple of months. They also suggested that quota-holders should be given freedom in respect of change of destination.

Export Quota of Cotton Waste Blankets to Rhodesia

In a letter dated 4th November addressed to the Chief Controller of Exports, the Committee referred to the difficulties experienced by Messrs. Patel & Co., a member-firm of the Chamber in the matter of export quota of cotton waste blankets. The firm was getting regular quota for export of cotton manufactures to Rhodesia. In view of the abatement in the overseas demand as a result of high prices for the Indian cotton textiles, it was not possible for them to secure orders from their buyers and therefore it was not possible for them to submit their application for quota licence within the time-limit prescribed for making applications for the January-June 1948 quotas. On 2nd June, however, they had requested the Department to extend in their case the time-limit for making application in reply to which they were informed in the last week of August that the time-limit could not be extended. Thus, for technical default of not applying in time, they stood to lose the normal quota to which they were entitled as established shippers. The Committee while realising that applications should be made in time requested Government to take into consideration the handicaps from which the exporters of textiles were suffering during that period. Moreover, the goods generally exported to Rhodesia, viz. cotton waste blankets, were not saleable in any other market. They therefore suggested that Government should be good enough to reconsider the case and allow Messrs. Patel & Co., or any other exporters similarly placed, the quota to which they would have been ordinarily entitled if they applied in time.

Exports of Raw Cotton

In a letter dated 1st December addressed to the Export Trade Controller the Committee observed that from the information available from the Customs manifest recently, supplies of prohibited supplies of cotton had to be allowed to

be exported. They enquired as to the circumstances under which supplies of prohibited varieties were permitted to be exported and further requested that the exact position at present in regard to the restrictions on exports of raw cotton should be clarified.

Restrictions on Export of Artificial Silk Fabrics

The Committee had addressed the Ministry of Commerce, Government of India, in regard to the restrictions on export of artificial silk fabrics manufactured in India and the difficulties experienced by the industry resulting therefrom. They had pointed out that large imports of art silk yarns were expected to be imported and that there was a glut of Indian-made art silk fabrics in the country consequent upon widespread disturbance in Northern India which constituted the principal markets for such fabrics. They therefore suggested that the policy in regard to export of such fabrics should be liberalised which ultimately would go to strengthen the foreign exchange resources and provide foreign markets to the country for such products. Government in their reply dated 26th February pointed out that an annual quota of 25 lakhs yards of indigenous art silk piecegoods had already been fixed; and export was allowed against quotas by *bona fide* manufacturers only. The Committee in a further letter dated 24th March welcomed the concession in the case of manufacturers for purposes of exports of art silk piecegoods but emphasised the desirability of extending such facility to the trade also as it was the trade that was really in a position to be in direct contact with the importers abroad.

Government in their reply dated 28th April observed that it was decided to continue free licensing of indigenous art silk fabrics upto 30th September 1948 to all permissible destinations including Pakistan.

Export of Silk and Art Silk Piecegoods to Pakistan

In a letter dated the 30th June 1948 addressed to the Government of India, the Committee referred to the representation addressed to Government by the Silk Merchants' Association, Bombay, explaining the difficulties experienced by their members as a result of accumulation of considerable

stocks of silk and art silk piecegoods, exports of which to Pakistan were restricted; and requested that with a view to minimise the financial loss which would otherwise accrue to holders of such stocks, Government should relax the present restriction on such exports for a period of at least three months.

Export of Hosiery

In a letter dated 4th August addressed to the Chief Controller of Exports, the Committee referred to the procedure and basis adopted for regulating exports of hosiery whereunder export was allowed under licences based on previous business, certain quota being allowed under the newcomers' licences. They pointed out that representations had been received to the effect that regular dealers in hosiery were finding it difficult to secure quotas from the quota reserved for newcomers and that licences under the newcomers were being given to parties who had nothing to do with the hosiery trade as such. They therefore suggested that hosiery dealers should be given preference in the matter of allotment of quotas reserved for newcomers in that trade.

The Controller in his reply dated 25th September informed the Committee that dealers in hosiery who were not established shippers were being given preference over newcomers who were not dealers in hosiery.

Export of Wooden Furniture

In a letter dated 16th August 1948 addressed to the Chief Controller of Exports, the Committee referred to the previous correspondence that they had with Government in connection with the liberalization of the conditions governing export of wooden furniture. Government in reply had then informed the Committee that in view of the limited supply of teak wood it was not possible to liberalize the export of such furniture. The Committee pointed out that the quota system had not benefited the *bona fide* manufacturers and that the main advantage under the system was taken by people who had very little to do with the furniture trade. They further mentioned that it was now possible to import teak wood from Burma in large quantities and that more-

over only a very small percentage of teak wood was used in the manufacture of furniture. They, therefore, requested Government to reconsider the present restrictions with a view to liberalize the Export Policy governing wooden furniture which would to an extent benefit the exchange position of the country.

The Chief Controller in his reply dated 21st September informed the Committee that owing to the disturbed conditions in Burma the supply position of teak had deteriorated. It was, therefore, not possible to further relax the existing restrictions on the export of teak wood furniture.

Export of Artware Wooden Furniture

The Committee in a letter dated 7th February 1948, addressed to the Chief Controller of Exports, referred to the representation of Messrs. Fathechand M. Advani and Son regarding permission for the export of Art-work Rosewood tables of size varying between 12 inches and 24 inches. The applicants had informed the Committee that the tables were in the nature of works of art mainly in use for decorative purposes and that, therefore, they should not be taken as items of furniture. The Committee pointed out to Government that the above works of art need not be treated as items of furniture and in case they were to be so treated some relaxation should be made in their existing restrictions so as to permit exports of sizes of art-work tables upto 24 inches. They also mentioned that after 15th August 1947 exports of such art-work tables upto 24 inches were understood to have been permitted from the Port of Karachi and that, therefore, there was considerable force in favour of continuing permission for such exports when the timber supply position had improved.

The Controller in his reply dated 5th March informed the Committee that suitable instructions had been issued to the Deputy Chief Controller of Exports, Bombay, in the matter. It was also added that genuine wooden artware was being freely allowed for export since October last.

Export of Indian-made Millstores

In a letter dated 15th October addressed to the Chief Controller of Exports the Committee referred to the difficul-

ties experienced by suppliers of Indian-made millstores in the matter of obtaining licences for export of such millstores. They recognised the need for conserving internal supply of such stores but at the same time they pointed out that according to the information placed before them supply position in regard to pickers was quite comfortable and that the country would be in a position to export reasonable quantities without in any way inconveniencing the Indian mill industry. They therefore requested Government that they should give special consideration to the question of permission for exports of Indian pickers.

Export of Aluminium Circles

In a letter dated 24th March addressed to the Government of India the Committee suggested the relaxation of restrictions in the matter of exports of aluminium wares to the Middle East countries such as East Africa, Belgian Congo, Iraq, Iran, etc. They pointed out that since the partition of the country took effect the population interested in such wares had migrated to the Pakistan territory and consequently the demand for aluminium wares had practically disappeared and the manufacturers of such articles were greatly exercised to find buyers for the same. Moreover there had been considerable manufacture in the country of both aluminium circles and utensils. But the exports were not permitted for reasons of consumption at home. Since there was now a surplus of this article as a result of demand in the country abating, it was suggested that Government should allow some percentage of aluminium circles and utensils for export out of the country. Government in their reply dated 26th April informed the Committee that the Government of India's policy with regard to export of aluminium utensils was kept constantly under review and was being progressively liberalised consistent with the supply position. It was added that every attempt was made to meet the requirements of all applicants particularly manufacturers and licences were issued for all destinations including Pakistan. It was further added that the supply position did not justify complete removal of restrictions on the export of aluminium.

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Export Control on Builders' and Furniture-makers' Brassware

In a letter dated 15th September addressed to the Chief Controller of Exports, the Committee referred to the Export restrictions on such items as brass hinges, angles, handles, etc. and pointed out that during the last few years a number of factories had been set up for manufacturing these items of brassware. According to their information the supply position in regard to these items was quite satisfactory and if free exports of these items were allowed, the same would not adversely affect the supply position in the country. They therefore requested that as a measure of encouragement to a recently developed indigenous industry Government should remove the control on export of the items in question.

Export of Dyestuffs and Chemicals from India to Pakistan

Under the existing Export Trade Control Orders exports of imported dyestuffs and chemicals to Pakistan are not allowed. As a result of this, Indian importing interests who have built up markets in Pakistan are being placed under difficulties as the context for the necessary distribution arrangements which such importers had were now getting disrupted and the labels and trade marks built up in the Pakistan market were being displaced. The Committee in a letter dated 18th November addressed to the Government of India referred to the above position and pointed out that if something was not done with a view to enable Indian interests to export dyes and chemicals the market in Pakistan territories would be permanently lost so far as Indian interests were concerned. In this connection they also mentioned that some firms were allowed to send certain supplies of dyes to Pakistan. They requested Government that they should lay down some general policy which would be uniformly applicable to all suppliers so that the Indian importing interests would be enabled to cater to their clients in the Pakistan market.

Quota for Export of Oilseeds and Oils

Exporters and shippers of oilseeds and oils are in terms of the revised policy and procedure required to produce their

figures of exports of oilseeds and oils during the period 1st January 1947 to 30th June 1948 in order to substantiate their claim for export licences. The implication is that the licences in future will be directly linked to the share of exports of the individual exporter or shipper in the above basic period. The Committee in a letter dated 21st August 1948 addressed to the Ministry of Commerce, Government of India, pointed out that there was a general feeling in the trade that shipments made against licences granted during the period of 1st January 1947 to 30th June 1948 should not be deemed normal as the grant of licences in certain portions of that period was based on considerations of political exigencies and administrative vagaries. As a result of this licences had come to be issued for exports of oilseeds and oils to applicants who could not claim to have any interest in the export trade as such. If, therefore, future exports were also to be governed partly by exports against licences issued in the said period the injustice to *bona fide* exporters would be perpetuated. The Committee, therefore, were of the view that in determining the basic period for purposes of granting future quotas, exports in the 15th August 1947 period should not be taken into consideration. They also referred to the general complaint that people who had no abiding interest in that trade and were not regular shippers and exporters had been able to get licences which apart from doing injustice to the regular exporters also created unhappy repercussions in the trade. They, therefore, suggested that the quotas should be granted only to persons who could satisfy the authorities about their interests in that trade and about their capacities to discharge their obligations in an efficient and systematic manner. They further suggested that an Advisory Committee should be set up to scrutinize the applications and to make recommendations in regard to the grant of export licences. Such an Advisory Committee should include persons having intimate knowledge of the oilseeds and oils trade.

Government in their reply dated 9th September informed the Committee that their suggestion had been noted and would be given careful consideration while reviewing the procedure for allotment of export quotas.

Export of Linseed and Linseed Oil

In a telegram dated 20th March addressed to the Government of India the Committee referred to the notification issued by Government inviting tenders for the purchase of linseed and linseed oil, which purchases, they understood, were intended for shipment to Australia. They strongly disapproved of the proposal of Government to handle these exports on their own account and added that such exports should be allowed to be handled, as in the past, by the normal channels of trade. Government in their reply dated 10th April observed that as a special case exports of linseed and linseed oil to Australia would be made this year on Government to Government basis in pursuance of an agreement reached between the Government of India and the Government of Australia. It was added that it was not the intention of Government to follow this procedure in the case of exports of oil and oilseeds to other countries. The Committee in a letter dated 5th May welcomed the assurance contained in the above letter but stressed that even in regard to exports to Australia future shipments should be made through normal channels of trade.

Allotment of Jute Goods Quota for the Year 1948-49

The Committee had addressed the Government of India in connection with the Notification inviting applications for export quotas for jute goods. On 3rd May 1948 a communique was issued which stated that export quotas will be divided among those who have actually shipped jute goods during the period January 1947 to June 1948. January/February 1948 quotas were originally valid for shipment upto 30th April but subsequently this period was extended upto 31st May 1948. It was however pointed out to the Committee that the Deputy Chief Controller of Exports, Calcutta, had asked the shippers to prove their shipments between January 1947 and 30th April 1948 instead of 30th June as announced by Government in their original communique. The Committee pointed out that shippers who had made shipments during the month of May would be precluded from applying for export quotas for the ensuing year. They requested Government that the instructions in the original

communique should be adhered to. The Chief Controller of Exports in his reply dated 14th June informed the Committee that in order to avoid delay in distribution of jute goods quota for the next half-year it had been decided to make allocations for the present on the basis of shipments from 1st January 1947 to 30th April 1948. Adjustments against the quotas would however be made in due course taking into consideration the figures of shipments effected during May/June 1948.

Notice Calling for Applications for Export Permit of Jute Goods

It had been represented to the Committee that exporters were not being furnished with copies of notices in respect of applications for export permit of jute goods, and that such notices were advertised in papers in Calcutta. The Committee in a letter dated 24th February 1948, addressed to the Export Trade Controller, Bombay, drew the attention to the above difficulty and suggested that exporters and shippers at this end should also be provided with facilities for submitting necessary applications and further that copies of the notices should be furnished if necessary after recovering a small fee of an anna or two.

The Controller in his reply dated 2nd March informed the Committee that necessary steps were being taken in that direction.

V. GENERAL

Questionnaire Issued by the Linguistic Provinces Commission

The Committee in a letter dated 4th September addressed to the Linguistic Provinces Commission conveyed their views in regard to the questionnaire issued by the commission regarding formation of new provinces on a linguistic basis. The main points of the memorandum are as follows:—

(1) The present time was singularly inopportune for considering the issue. Many problems of pressing importance were demanding immediate attention and at such a juncture issues of a controversial nature should not be allowed to distract the attention of the country.

(2) The entire problem relating to the re-distribution of provinces required to be reviewed and re-examined in the light of the experience of the developments of the recent past. Re-grouping of provinces, wherever justified or necessary, moreover, should not be attempted merely on linguistic considerations, but should essentially be on rational and scientific considerations guided by a variety of factors, political, economic, geographic, administrative convenience, etc.

(3) In the context of the general conditions at present obtaining, the country should give undivided attention to the task of consolidating the political position of the Nation and also to the problem of revitalising her general economic condition.

Consideration of the question should not, therefore, be proceeded with at this stage.

(4) If, however, it was ultimately decided to proceed with the work of re-grouping of provinces, Bombay with its suburbs should be set up into a separate province directly linked as a Federating Unit to the Indian Union.

The case of Bombay for being constituted into a separate province was justified on all relevant considerations, viz. territorial, administrative, economic, strategic, etc.

Besides, Bombay is multi-lingual and has a cosmopolitan population drawn from different parts of the country. Bom-

bay again is a financial and trade centre of all-India importance. It has the necessary resources, financial and otherwise, to sustain a stable and adequate administrative machinery.

Report of the Economic Programme Committee of the A.I.C.C.

The Committee in a telegram dated 13th February, addressed to the Hon'ble Pandit Jawaharlal Nehru, referred to the recommendations made by the Economic Programme Committee. They observed that there were no two opinions on the central aim emphasised in the report of securing quick and progressive rise in the standard of living of the people by expanding the volume of production and full employment of man-power and material resources; but, it was doubtful if the recommendations made in the report would result in the realization of that objective. They referred to the Industrial Conference held in New Delhi which had formulated a programme of action for inducing a greater feeling of confidence and for increasing production was being undone by the reactions caused by the publication of the report. They further observed that in the industrial sphere, the prime need was to concentrate on the stepping up of production and that this could not be done by suggesting steps which would tend to frighten the existing owners of the means of production by placing before them a plan which presaged their ultimate elimination. Nationalisation, they further observed, was still in an experimental stage and, therefore, industries which were already under private ownership should continue undisturbed, and only new undertakings in the sphere of defence and public utility undertakings should be placed under State ownership. In the end they suggested that with a view to remove the misgivings created by the recommendations of the report, Government of India should issue immediately a statement outlining their industrial policy particularly clarifying the place and position of free enterprise in the economic structure of the country. They also suggested that before such a policy was announced, Government should convene a conference of all the interests concerned for full discussion of the problem.

Industrial Policy of the Government of India

The Committee on 20th April 1948 issued a detailed statement on the Industrial Policy of the Government of India presented to the Dominion Parliament on 6th April 1948. They welcomed the emphasis laid in the statement on the primary need for expansion of production both agricultural and industrial and in particular on the production of capital equipment, of goods necessary for meeting the basic needs of the people and of commodities the export of which would increase the earnings of Foreign Exchange of the country. They also welcomed the acknowledgment that private enterprise had a valuable role to play in the process of exploiting the latent resources of the country for securing the improvement in the economic conditions and for promoting a rapid rise in the standard of living of the people. They stressed that Government would be assisting to create greater enthusiasm for the plan and policy by the categorical assurance that in the sector normally to be left open to private enterprise Government had no intention of interesting themselves progressively or otherwise and that the immunity in respect of the existing industries under the second group would not automatically end after a fixed period of years. They concluded by giving an assurance that the industrialists as a whole were earnest in their desire to secure the rapid and full development of the economic resources of the land and given the necessary opportunity and encouragement they could be expected to play their role in the process faithfully and wholeheartedly.

Confidence in the Central Government

The Committee in a telegram dated 7th February, addressed to the Hon'ble the Prime Minister and the Dy. Prime Minister, referred to the crisis created in the country as a result of the passing away of Mahatma Gandhi and reaffirmed their sense of loyalty to and their confidence in the Government as constituted and in the leadership at present guiding the destinies of the country. The Committee on 11th February issued a statement wherein they referred to the crisis created in the country as a result of the passing away of Mahatma Gandhi, the acknowledged leader and guide of the

nation and observed that it was the duty of all, irrespective of party or political affiliations, to stand firmly behind the Government and their leaders in the hour of national crisis. The Committee deprecated statements suggesting by insinuation or otherwise that Government as constituted at present, or individual members thereof, had been found wanting and reiterated their conviction that the present ministry led by the Prime Minister, Pandit Jawaharlal Nehru, and Deputy Prime Minister, Sardar Vallabhbhai Patel, continued to enjoy the full confidence and esteem of the people as a whole, and the country stood steadfastly behind the Government.

Functional Representation in the Future Houses of Parliament and in the State Legislatures under the New Constitution of India

In a representation dated 12th March submitted to the Honourable President of the Constituent Assembly of India, the Committee referred to the previous representation on the above subject and pointed out that in the draft Constitution of India there was no provision for representation to Commerce and Industry in the Houses of Parliament and in Legislatures in States. They reiterated the case for giving adequate representation to Commerce and Industry and expressed the hope that the Constituent Assembly would modify the draft proposals submitted by the Drafting Committee so as to secure adequate direct representation for trade, commerce and industry in the Houses of Legislatures both in the Centre and in the Provinces, organised chambers of commerce being chosen as the medium for such special representation.

Rights of Indian Nationals to Carry on Trade and Commerce and Industry in various Countries on the Basis of Reciprocity

In a letter dated 10th March addressed to the Ministry of External Affairs and Commonwealth Relations, Government of India, the Committee referred to the question of rights and privileges of Indian Nationals to carry on Industrial and Commercial activities in foreign countries on a reciprocal basis. They pointed out that the foreign commercial enterprises enjoyed certain privileges which were not on a basis of recipro-

city as the Nationals of this country had not privileges or rights in exchange of what the nationals of foreign countries could have in this country. They, therefore, suggested that with the attainment of independence, Government should control and regulate such commercial and trading privileges on a reciprocal basis whereby only such privileges and rights to carry on and establish business and industrial enterprises in this country should be given to the foreign nationals as were correspondingly given to Indian Nationals in the respective foreign countries. They particularly referred to the position of Indian Nationals in the U.S.A. and asked Government for controlling the rights and privileges enjoyed by the American nationals on a reciprocal basis to enable Indian Nationals to enjoy similar privileges in America. They further suggested to Government that they should instruct their various Indian Embassies and Trade Commissioners in foreign countries to furnish particulars in regard to the privileges, facilities and rights enjoyed by the Indian Nationals in their respective countries.

Ordinance Promulgated by the Government of Burma Restricting Transfer of Immovable Properties

The Committee in December 1947, had urged on the Government the need for early negotiation of a treaty between India and Burma regulating relations between the two countries in the spheres of trade, immigration, franchise, property rights, etc. In a telegram dated 18th February, the Committee in this connection drew attention of Government to three ordinances promulgated by the Government of Burma:—

(1) Seeking to reduce rents to low levels;
(2) Dealing with the disposals of tenancies; and
(3) Imposing restrictions on the transfer of immovable properties.

The Committee pointed out that as a result of the third ordinance, Indian Nationals would not be in a position to sell properties freely to purchasers of their choice nor would they be able to take over properties in settlement of debts due to them from owners, which would result in making operation of a free market for properties impossible. The Committee

pointed out that this provision would create a serious hardship for a large number of Indian Nationals owning extensive properties in Burma which properties they were endeavouring to dispose of in view of the recent developments. They requested Government to represent to the Government of Burma for ensuring suspension of the operation of the ordinance in question pending the settlement of outstanding problems concerning future Indo-Burma relations.

The Land Nationalization Bill in Burma

In a telegram dated 25th October addressed to the Government of India, the Committee referred to certain developments in Burma vitally affecting the interests of Indian nationals in that country. They pointed out that the Land Nationalization Bill passed by the Burmese Legislature in its present form and scope would deal a serious blow to Indian interests there inasmuch as the compensation proposed to be given to owners was almost nominal. They requested that the matter should be decided at Government level and the Government of India should take early steps to arrive at a just and fair basis of settlement. They further mentioned that Burmese authorities had prohibited the remittance of more than Rs. 500 per mensem by a party from Burma through a Bank and of more than Rs. 40 by Money Order. Indian settlers in Burma needed to send money to India both on account of business and family maintenance. These restrictions, therefore, should be liberalized so as to take due account of the minimum requirements in respect of such remittances.

Ceylon Indians' Citizenship

In a letter dated 4th October addressed to the Ministry of External Affairs and Commonwealth Relations, Government of India, the Committee referred to the two Bills recently introduced in the legislature of Ceylon, (1) to make provision for Citizenship of Ceylon, and (2) to make provision for controlling the entry into Ceylon of persons other than citizens of Ceylon and pointed out that the provisions of these two Bills would affect the Indian community in Ceylon adversely. They drew attention to the various provisions of the two bills which would result in a vast majority of

Indian residents in Ceylon being denied the citizenship status and stressed that the cumulative effect of the two Bills on the Indian community in Ceylon would be that they would be ousted from the island although most of them had lived there for a long time and had developed a permanent interest there. They requested Government to take a serious view of the anti-Indian policy followed by the Government of Ceylon and to take up the question with the Ceylon authorities requesting the Ceylonese Government to postpone the enforcement of the above Bills pending a permanent arrangement for Indians in Ceylon which was at present in the stage of negotiation between the two Governments.

Arbitration of International Trade Disputes

The Government of India had addressed the Federation of Indian Chambers of Commerce and Industry in connection with the World Arbitration Conference and had requested for the views of the Federation in respect of problems connected with India's export and import trade which might be taken up at this Conference. The Federation in turn had requested the member-bodies to submit their views in the matter. The Committee in a letter dated 11th October addressed to the Federation referred to the large number of complaints received from the member-firms of the Chamber regarding difficulties experienced in the matter of evasion of and non-confirmation to terms and conditions in the contracts entered into by the Indian importers with foreign suppliers. They pointed out that some arbitrating machinery should be set up for protecting and safeguarding the interests of Indian importers. The Government of India, therefore, should be requested to stress the difficulties of the Indian importers and secure a general acceptance of the principle of arbitration by any recognized authority in the country of the buyer. The Federation had in principle accepted to act as the arbitrating body provided an arbitration clause to the effect that disputes arising out of contracts between the Indian importers and foreign suppliers was incorporated in the contract. For this purpose, however, it was necessary that the foreign suppliers should agree to submit such a dispute to the arbitration of the Federation. They requested the Federation that the Governent of India should

be urged to take up this matter at the World Arbitration Conference.

Evasion of Contractual Obligations by Foreign Suppliers

In a letter dated 28th February addressed to the Ministry of External Affairs, Government of India, the Committee referred to the complaints from importing interests regarding difficulties experienced as a result of *Evasion* of contractual obligations by some of the foreign suppliers. They pointed out that while examining such complaints they had noticed certain features which were mainly responsible for the difficulties of the above nature. The importers here were obliged to open confirmed letters of credit in advance of shipment and when subsequently they found that the supply was not according to the contract they had no effective method of securing redress or compensation. Moreover, the terms and conditions governing same in many cases included certain types of blanket clauses enabling subsequent price increases for various reasons and secure all kinds of immunity in respect of delay in shipments. The Committee, therefore, suggested that the contracts should include adequate provisions and safeguards for securing speedy redress of complaints and disputes. They further suggested that the Indian High Commissioners in different countries should take up this matter with the appropriate departments of the respective Governments with a view to evolving some common basis for terms and conditions governing import-export contracts. It was, however, suggested that efforts should also be made for developing some sort of machinery for arbitration for dealing with the disputes arising out of such contracts. The Committee requested the Government of India to give this matter their early attention.

Development of Indo-American Friendship and Understanding through Trade Associations

The Government of Bombay by a letter dated 13th August 1948 addressed the Committee in connection with the suggestion which was under consideration of the Government of India in regard to promotion of Indo-American friendship and understanding through Trade Associations by getting the various Trade Associations in the two countries to

discuss and exchange notes on problems of trade and transport or professional matters and invited the Committee to give its opinion in that regard. The Committee in a letter dated 4th October addressed to Government observed that they considered the suggestion in regard to promotion of correspondence and collaboration between trade and professional organizations in this country and the U.S.A. as helpful in bringing about a closer understanding between the two countries.

Transfer of Property (India) Ordinance

In a telegram dated 16th February, addressed to the Hon'ble Minister for Finance, the Committee drew attention of Government to the serious consequences apprehended as a result of the provisions of the Transfer of Property (India) Ordinance. Under the Ordinance registration of documents in respect of properties other than agricultural land was precluded, unless simultaneously a certificate was presented to the registering authorities to the effect that the transferor had paid or made satisfactory provisions for payment of all liabilities by way of taxes under Indian Income-tax Act. It was provided in the Ordinance that on the failure to produce the certificate about payment of income-tax and other taxes, the taxing authorities would be entitled to recover taxes by appropriate action against properties transferred as if the same still continued to belong to the transferor. This provision was sought to be given effect to in respect of transfers which might have taken place after 14th August 1947. The Committee pointed out that these restrictions were likely to lead to considerable practical difficulties which would result in repercussions of a far-reaching character. It would be difficult to obtain a tax certificate within the prescribed period for completing the registration of documents and consequently the transferor would be put to serious difficulties. They also objected to the ordinance having retrospective effect which would seriously upset the working of the credit and financial mechanism in the country. The Committee suggested that in view of the above practical difficulties Government should agree to suspend the ordinance and consult the interests likely to be affected for devising provisions that might be necessary for ensuring the proper

payment of taxes in respect of parties transferring property by way of lease or mortgage.

Government in their reply dated 28th February mentioned that they had already issued suitable instructions to prevent delay in issuing the certificates in this regard by the inspecting Assistant Commissioners and that the measure was necessary in order to prevent evasion of taxes by persons leaving India. As regards retrospective effect of the Ordinance, it was mentioned that cases of hardship where the recovery of taxes was effected from property validly transferred and registered before the 7th February 1948 should be brought to the notice of the Commissioner of Income-tax concerned. Subsequently, the Committee were furnished with copies of correspondence that had passed between Native Shares and Stock Brokers' Association, Bombay, and Government in this connection. The Committee reviewed the position in the light of the difficulties pointed out by the Association. In a further letter dated 23rd April addressed to the Ministry of Finance, Government of India, the Committee referred to the above position and observed that there was a consensus of opinion that the enforcement of the provisions of the Ordinance would lead to considerable practical difficulties particularly in the case of stocks and shares and that the requirements of the ordinance would result in hampering normal business and banking activities. They submitted that cases of persons leaving India and evading taxes were likely to be very few. On the other hand, the difficulties caused by the enforcement of the provisions of the Ordinance were real and had already led to considerable disorganization in the normal activities involving transfer of property. They, therefore, suggested that Government should reconsider the matter and withdraw the Ordinance.

Trade Goods lying in Pakistan Area

As mentioned in the Report of the Chamber for 1947, the Committee had drawn the attention of the Government of India to the difficulties experienced by owners of trade goods and other movable properties lying in Pakistan territory. Government in their reply dated 11th February mentioned that the matter has been taken up with the Pakistan Government. In a further letter dated 20th February, addressed to

the Ministry of Relief and Rehabilitation, Government of India, the Committee enquired if any satisfactory agreement or arrangements had since been made in order to facilitate movement of such goods. The Committee suggested that in view of the continuance of reports of difficulties experienced by owners of goods, Government should pursue the matter energetically for bringing about practical arrangements which would result in the parties concerned being accorded full freedom and facilities to move and dispose of their movable and immovable properties.

Permit System for Entry into Pakistan from India

In a telegram dated 29th October addressed, to the Ministry of External Affairs and Commonwealth Relations, Government of India, the Committee referred to the Control of Entry Ordinance promulgated by the Pakistan Government whereunder Transport Companies were not authorized to issue tickets to passengers to Pakistan unless such passengers possessed valid permits and passports. Besides Delhi and Jullunder permit office had been opened only in Bombay. Pointing out the difficulties which would be experienced by intending travellers to Pakistan as a result of their being required to come to Bombay in person for obtaining permits, they requested Government that the matter should be taken up with the Pakistan authorities with a view to necessary facilities for the issue of permits being made at the Centres like Rajkot, Bhuj, etc. and that pending such arrangements transport companies should be allowed to collect permit applications and present them to the authority in Bombay for obtaining necessary permits.

Trade with Japan

The Committee in a letter dated 7th February 1948, addressed to the Government of India, emphasised the need for speedy arrangement for the resumption of normal trade between India and Japan, and in this connection they brought to the notice of Government a case in which interests of a particular firm were affected by the present arrangement of trade between the two countries being carried on a Government to Government basis. Messrs. P. R. Patel and Co. Ltd.,

who were sole agents for the last so many years in India for the sale of Japanese Sako Mato-automatic looms, negotiated with the prospective purchasers here on the basis of offers received from their principals. Government, however, decided that the exchange of goods between India and Japan should be arranged on Government to Government basis and the party were not even allowed to arrange for the internal distribution of the imported goods. The Committee observed that whatever might have been the position in the past, in the future Government should arrange for the resumption of normal trade immediately between the two countries and private interests should be allowed to make their own arrangements. Government in their reply dated 2nd February referred to their Press Communique dated 2nd February under which trade with Japan was thrown open to private channels and also to the Public Notice issued by the Chief Controller of Imports inviting applications for import licences for import of certain commodities from Japan.

List of Insurance Companies Approved for Purposes of Insurance by Co-operative Banks and Urban Societies, etc.

In the January 1948 issue of the Bombay Co-operative Quarterly, a circular dated 4th November 1947 issued by the Registrar of Co-operative Societies was reproduced. Along with the circular a list of insurance companies approved by the Co-operative Department for purposes of insurance of goods and property belonging to Co-operative banks, co-operative societies and members of such societies was also published. The Committee in a letter dated 17th May addressed to the Government of Bombay referred to the above circular and pointed out that more than half of the total number of companies mentioned in the above list were of non-Indian origin and observed that in the present circumstances it was incongruous to find that non-Indian insurance companies should have found a place in the list of approved insurance companies recommended by Government. They pointed out that it was the general policy of Government to give every encouragement and assistance to indigenous enterprise and that whenever they, as owners of goods and property, had to effect insurance, they were generally confining their business to

Indian insurance companies. They, therefore, suggested that for purposes of recognition for inclusion in the approved list, Government should be guided by the same policy and such recognition should be confined to insurance companies owned and managed by Indians. They requested Government to issue necessary instructions so that in future only companies owned and managed by the nationals of the country should be entitled to be deemed as eligible for purposes of being placed on such approved lists. Government in their reply dated 27th July observed that instructions were being issued to the Registrar of Co-operative Societies and Director of Agricultural Marketing and Rural Finance, Poona, to see that only Indian Insurance Companies were given the patronage of co-operative institutions and that insurance companies of non-Indian origin were excluded from the list prepared by them. It was added that it was the general policy of the Government that whenever the property or property under control of the Government and its officers was to be insured, it should be insured with Indian Insurance Companies, i.e. Companies which had at least 75 per cent Indian directorate and 75 per cent Indian Capital.

The Central Silk Board

In a letter dated 15th October addressed to the Government of India the Committee pointed out that the Silk Trade had not been given any direct representation on the Silk Board to be constituted under the Central Silk Act, 1948. Referring to the fact that Government were empowered to nominate five persons on the Board they suggested that it should be possible for Government to include until such time as steps were taken to amend the Act, a representative of the Silk Trade in the panel of six seats reserved for nomination by Government and that the said representative of the trade should be selected in consultation with the Federation of Indian Chambers of Commerce and Industry. They also suggested that as a permanent step Government should suitably amend the Act and give to the Silk Trade adequate direct representation.

Special Powers for Enforcing Textile Control

In a letter dated 5th November addressed to the Textile Commissioner, the Committee referred to the press report in

which certain proposals under consideration for the purpose of enforcing Textile Control were outlined. The proposals were that the Members of the watch and ward staff employed in the Mills are to be commandeered for service for information purposes on behalf of the department. Mill employees were to be encouraged to work as informants for furnishing information to Government about the breaches of the Control Orders. Offences under the Control Regulations would be made cognizable so as to make arrest possible by all officers of the enforcement staff. Persons arrested for breaches of the Control Order should not be released on bail. They mentioned that the above powers were of an extraordinary character and while there was no doubt that Government should be enabled to take all reasonable safeguards for the successful working of the Control scheme, such safeguards should not be a machinery of operation against the trading and industrial interests. They enquired if Government had come to a final decision in regard to the above measures and suggested that Government should consult trade and industrial interests in regard to the feasibility and desirability of such measures.

Distribution of Cloth in the Bombay Province under the Revised Textile Control Policy

In a letter dated 1st October addressed to the Government of Bombay the Committee referred to the arrangements reported to have been made by them in regard to the distribution of cloth in the province of Bombay. It was understood that Government of Bombay had decided to take over the entire provincial quota and to distribute it through Government controlled shops on a *per capita* basis to every individual and that it was proposed to appoint wholesale distributors at the main producing centres and further that Government were considering the appointment of such distributing agency for Bombay whose function would be to purchase Provincial quota from the Mills in Bombay and make arrangements for storing and despatching the goods to the consuming districts under instructions from the Provincial Textile Controller. In this connection they invited the attention of Government to the Tender notice published in the Press by Government for lifting cloth for distributing in the districts under which a preference would be given to any wholesalers' Association tender-

ing for the same. They referred to the fact that the Bombay Wholesalers' Association had submitted their tender leaving a margin of 2½ per cent on the ex-mill price as a margin of profit for lifting cloth for distribution in the Bombay Province but that Government had decided to entrust the work of distribution to a single party which had submitted a lower tender. They suggested that even at the cost of a little higher profit-margin it would be in the larger interests that Government should give preference in this matter to an organization representing a body of merchants over a single party. They also pointed out that in comparison with the profit-margin allowed in other provinces the margin desired by the trade in Bombay was lower. Besides, if at a small increase in commission the tender of the Bombay Wholesalers' Association was accepted, Government would be thereby helping in the utilization of the existing channels of trade which was comprised of a large number of interests whose means of subsistence depended upon the continuance of normal trade channels. They requested Government to go into this question and to reconsider their decision of entrusting the work of distribution of cloth quota in the province to a single party and give preference to the Bombay Wholesalers' Association.

Government in their reply dated 6th November 1948 observed that the Bombay Wholesalers Association was requested to undertake the work of distribution on a margin of 1½%, but the Association refused to do it on the ground that the margin offered was not sufficient. They wanted a margin of 2½% which was in the opinion of the Government very high. It was not possible for Government to give to the wholesalers any larger margin than 1½%. Government had therefore no alternative but to invite tenders and to select a party and arrange for distribution at the lowest possible rate. Accordingly they had already appointed Messrs. Podar Trading Company Ltd., as their nominee for Bombay City and they had already been functioning as such for the last 2 or 3 months.

Textile Control and the Requirements of the Processing Industry

In a letter dated 1st December 1948 addressed to the Government of India, the Committee referred to the position

of the processing industry under the revised Textile Control Scheme. Under the old Textile Control Scheme the industry was allotted a fixed quota of cloth on an all-India basis every month by the Textile Commissioner and after the processing operations the supplies were delivered back to the Commissioner for distribution. Under the new control scheme however it appeared that Government had not proposed to allot any separate quota of cloth for purposes of processing. The processing industry had pointed out that if some special arrangement was not made to meet their requirements of cloth the industry would face a serious crisis. If this was not done an organized industry which had justified its usefulness would get disrupted and even when conditions of supply were normal it would be difficult to re-start the industry. They therefore suggested that as under the old scheme a separate quota of cloth should be allotted to the industry on an all-India basis. They requested Government to be good enough to give their early attention and take necessary steps in the matter. Government in their reply informed the Committee that the question of supplying cloth to processors was being considered.

Permission for Movement of Supplies of Imported Yarn

In a letter addressed to the Provincial Textile Controller, the Committee referred to the Representation addressed to him by the Yarn Merchants' Association Ltd., in regard to the difficulties experienced under the existing procedure governing the issue of permits for movement of supplies of imported yarn. Their representation stressed the difficulties arising out of the requirement to produce original invoices issued by the exporters, the original Bills of Lading, Marine Insurance Policy and the Original Shipping Bills. These were required to be produced at the time of applying for permission to send the goods out of the Province. Moreover, such permission was issued only in favour of original importers and not in favour of dealers. The Committee requested that Government should sympathetically consider the practical difficulties experienced by importers in fulfilling the above conditions and requested that the rules of procedure should be so modified as to render the process of applying for permits for movements outside the province easy.

Extension of Time-limit for Disposal of Cloth

In a telegram dated 25th October addressed to the Hon'ble Minister for Industry and Supply, Government of India, the Committee referred to representations from textile trade interests regarding the difficult position in which they found themselves as a result of time-limit of 31st October fixed for disposal of cloth manufactured and packed before 1st August 1948. The trade had pointed out that due to various factors supplies were not moving and stocks held by merchants in City centres like Bombay were to a large extent held for being sent out to districts and as such were not saleable in the City. If the time-limit of 31st October was enforced, the trade would find itself in a serious position. Under the above circumstances they requested that Government should consider sympathetically the request for extension of the period and that after such exemption Government should actively assist the trade in finding out ways and means of speedy disposal of accumulated stock of the pre-control period.

Efforts for the Rehabilitation and Housing of Refugees in the Province of Bombay

The Committee in a letter dated 15th March addressed to the Government of Bombay referred to the influx of a large number of refugees into Bombay as a result of their displacement from normal homes and habitations consequent on partition. They agreed that every effort should be made to assist the process of settlement and rehabilitation of such refugees. But they considered it their duty to draw the attention of Government to certain facts which would have to be taken into account in arranging for their permanent absorption into the economic and social life of the Presidency. They referred to the overcrowded condition of the City of Bombay and pointed out that on considerations of health and sanitation it was imperative to plan the dispersal of the large number of refugees in the City to more convenient centres within the Presidency or elsewhere. In this connection they referred to the Greater Bombay Scheme which was under the consideration of the Bombay Municipal Corporation and requested Government to give that matter their early attention and take such steps as would be necessary to implement the scheme

in question. In the meanwhile the Committee suggested that Government should select suitable places in outlying parts for the habitation and housing of a substantial proportion of the refugees at present gathered in and around the City. They also suggested that after selecting such sites Government should provide necessary amenities to the refugees to move out and stay there.

Difficulties under the Bombay Land Requisition Act, 1948

In a letter dated 2nd August 1948 addressed to the Government of Bombay, the Committee referred to difficulties experienced by business organizations under the provisions of the Bombay Land (Hotels & Lodging House) Rent Control Act, 1947, and the Bombay Land Requisition Act, 1948. They pointed out that Business Organizations such as Banks, Insurance and other commercial offices gave housing allowances to their officers in terms of which full amounts of rent for premises occupied by such officers were paid by the organizations concerned. The tenacy in such cases, however, would be in the name of the officers occupying the particular premises. The difficulty was experienced on occasions when an officer occupying such premises for which full rent was being paid by his employers was transferred to another office of the same organization or a new appointment was made for the same post and the relieving officer or the newly appointed officer was not able to step into the premises of the officer transferred or discharged in due course. As under the above Acts it would be necessary to take consent of the Landlord and obtain sanction of Government for allowing the incoming officer to occupy the premises, the Committee suggested that Government should issue clear instructions to the Departments concerned that whenever an officer of a commercial organization was transferred from the City of Bombay or discharged, the relieving officer or the new incumbent of the organization coming from outside Greater Bombay should be entitled to occupy the premises of the officer so transferred or discharged provided the commercial organization concerned had been paying the requisite house rent. They requested Government to give due consideration to the above aspect of the difficulty experienced under the above Acts and provide for necessary relief.

Government in their reply informed the Committee that it would not be possible for them either to permit all leases standing in the name of employees of firms to be transferred to the firms themselves or allow every employee to transfer his tenacy rights in a flat to the name of his firm to enable it to allot the flat to the officer taking charge of the officer transferred or discharged as such transfer of tenancy rights had been clearly prohibited in law. It was further mentioned that as far as possible business organizations should not effect any transfer of employees to Bombay from outside except in very special circumstances and Government would in such circumstances be prepared to allow the transfer of tenancy rights in agreement with the landlord and owners. The Committee in a further letter dated 11th October pointed out that Government had not given due consideration to the central aspect of the submission contained in the previous letter. They pointed out that although the tenancy was formerly entered or registered in the names of their employees the employer under the conditions of employment paid rent for the quarters rented for the employees. Since, therefore, the quarters were residential quarters for the use of employees of particular commercial or industrial organizations it was reasonable to suggest that the Government of Bombay should as a matter of general practice facilitate the transfer of the tenancy rights from the outgoing to the incoming employee. They requested that even if under the existing provisions of law transfer of tenancy rights into the name of the employer was prohibited, Government should administratively issue instructions that in all cases where both the tenants, i.e., the vacating employee and the landlord of the premises agreed to the change in tenancy in favour of the new employee the change should be permitted and the other formalities under the existing Land Requisition Act should not be insisted upon.

Conversion of Military Dairy Farms into Civil Dairy and Cattle Breeding Farms

The Committee had addressed the Government of India in connection with reports about the general retrenchment being made in the staff of the four military dairy farms under Government control. They pointed out the creditable part

which such dairy farms had played during war years in times of scarcity in respect of supply of milk and deplored that Government was proposing to liquidate such useful organizations. They suggested that instead such military dairy farms should be handed over to the various Provincial Governments under whose jurisdiction they might be operating for being worked as civil dairy and cattle breeding farms for use of the civilian population. Government in their reply dated 14th April observed that they had already advised the Provincial Governments to consider the desirability of taking over dairy farms which might have become surplus to military requirements. The Committee in a letter dated 5th May addressed to the Government of Bombay referred to the above letter from the Government of India and expressed the hope that in keeping with the policy as indicated in the above letter, Government of Bombay would be making the necessary arrangements to take over such dairy farms within its provincial limits which might have become surplus to military requirements. They requested that information in regard to the progress made in that direction should be furnished to the Committee.

Government in their reply informed the Committee that the Military farm at Nasik Road and at Deolali had been practically taken over by Government but that the same could not be put to actual use as the title to the lands had not yet been acquired. Government proposed to establish military-cum-bull production centres at both the above places, one being utilized for maintenance of bull animals and the other for growing of green fodder. Government also proposed to acquire Military Dairy Farms at Kapaswadi and at Wadad for use as dairy and growing of green fodder. The Committee in a letter dated 2nd September stressed the fundamental urgency of taking immediate and early measures to ease the problem of adequate milk supply in the city and for that purpose it was necessary that Government should acquire without any loss of time the Military Dairy Farms so that the same could be put to use to supplement the civilian milk supply. They mentioned that while the farms were in the process of being taken over legally they should have been used for producing milk for civilian consumption. They also enquired as to what happened to

the cattle attached to the farms under reference and requested Government to let them know whether such cattle were sold or how they were disposed of. They also enquired whether Government had taken any steps to acquire for civilian use Military Dairy Farms at Yeroda, Pimperley, Caldicot and Kalyan.

Goshala Development Scheme

In a letter dated 2nd September addressed to the Government of Bombay the Committee referred to the Goshala Development Scheme which Government had agreed to work on certain conditions. The main features of the scheme were that the Goshalas were required to make suitable arrangements to divide their activities into two sections, one for breeding the stocks and the other for maintaining cattle usually brought under the protection of the Goshalas and that each Goshala would appoint a technically trained manager who would be responsible for the working of the Goshala as envisaged under the scheme and further that Government would assist, wherever possible, in the provision of grazing lands on lease to Goshalas. They pointed out that the scheme if implemented within a reasonable period of time would greatly help in providing improved breeds of cattle to the Presidency as also in supplementing the inadequate supply position of milk. They further pointed out that Government had promised to consider the appointment of a separate Goshala Development Officer for the whole of the province who would be charged with the function of looking after the implementation and development of the Scheme. They urged that Government should take steps to appoint such an officer and put the scheme into effect at an early date.

Allocation of Import Quotas for Dry Fruits

In a letter dated 25th February, addressed to the Chief Controller of Imports, the Committee referred to the meagre quotas allotted for import of dried fruits. The Committee pointed out that the fixing of the year 1941-42 as the basic year for the import of dried fruits was responsible for the small quotas given to the importers concerned. They presumed that the small quotas might have been allocated to the

parties in view of the shortage of exchange available with the Government. They, however, felt that something might have been done in case of such allocations and, therefore, while they did not press Government for immediate reconsideration of targets fixed for the imports of dried fruits, they strongly suggested that when Government were in a position to relax the present restrictions, larger quotas for imports of subsidiary items of foodstuffs should be allotted. The Controller in his reply dated 31st March informed the Committee that quota for import of fruits other than dates had been raised from 50% to 200% of imports in 1946-47.

Use of White Oil as Adulterant to the various Edible Oils

As published in the Report of the Chamber for the year 1947, the Committee had addressed the Government of India drawing their attention to the practice of using White Oil as adulterant in various edible oils and with a view to avoid the resultant detriment to the public health as a result of such a practice they had suggested to Government to devise ways and means for ensuring that White Oil was not made available for the purpose of adulteration with various edible oils. The Government in their reply dated 12th January, observed that it was not possible for Government of India to restrict the import of White Oil with a view to avoid the chances of its being adulterated with edible oils.

Control on Disposal of Groundnut Cakes

In a letter dated 16th August 1948 to the Director of Civil Supplies, the Committee referred to the representations received by them to the effect that the present method of disposals of groundnut cakes by oil mills based on permits issued by Government Authorities to individuals for being entitled to secure cakes from mills was not working satisfactorily. There was considerable delay in taking delivery of the stocks by the permit-holders which resulted in the mills being confronted with accumulated stocks in the face of the scarcity of godown accommodation. In this connection they referred to the Government Press Note of 1st August 1948 announcing that all possible steps were being taken to relieve the congestion in the mills. The Committee hoped that Government would expedite the enforcement of the measures indicated in the Press

Note and take such further steps as might be found necessary to relieve the millers of the stocks accumulated with them as a result of the permit system.

Government in their reply dated 16th September informed the Committee that all possible steps were being taken to relieve the congestion in the mills. The Regional Controller of Railway Priorities, Bombay, had recently sanctioned Class I(*c*) priority for the movement of groundnut cake. The Collectors of Districts had been requested to make available Government godowns for storage of cakes and to requisition private godowns for the purpose where Government godowns were not available.

Certain Inconveniences to Assessees at the Sales Tax Office

In a letter dated 26th August addressed to the Commissioner of Sales Tax, the Committee drew his attention to the hardships caused to the assessees as a result of lack of certain necessary facilities at the sales tax office and suggested that the following facilities should be allowed to the assessees:—

(1) Early steps should be taken to make suitable sitting arrangements for the assessees in the Sales Tax Office.

(2) Provision should be made for a public telephone in the Sales Tax Office for the use of assessees who may be required to wait in the office for considerable period in connection with assessment work.

(3) Under the present arrangements forms of returns had to be obtained by the assessees at the Sales Tax Office. The Committee suggested that the Department should consider the advisability of making arrangements for the despatch of the forms of returns to the assessees by post at the end of every quarter.

Lastly, they pointed out that the charges in connection with copying, comparing, etc., required to be paid by the assessees for getting a true copy of the assessment order were rather high. They, therefore, suggested that the first copy of the assessment order should be given to the assessee free of charge and that a nominal fee of say As. 3 should be charged for subsequent copies. The Commissioner in his reply dated 7th

October informed the Committee that adequate seating arrangements for assessees would be made very soon. Steps were also being taken to install one telephone for the use of the assessees. It was further mentioned that instructions had already been issued to the Sales Tax Officers to despatch four copies of Chalans and returns to each registered dealer every year. Regarding copying and comparing charges it was stated that a copy of the assessment order would be obtained free of cost by any dealer applying for it with a court fee stamp of As. 3 and that the prescribed fees were being charged for any additional copies required by the assessees.

The Bombay District and the City of Bombay Police (Amendment) Act, 1948

In a letter dated 3rd April addressed to the Government of Bombay the Committee referred to certain provisions of the above Bill which empowered the Commissioner of Police to take appropriate action to prevent nuisance in the shape of music, sound or noise. A new section 23(*a*) was sought to be added under which the Commissioner of Police might issue orders preventing or prohibiting continuance of music, etc. While appreciating the need for such powers they enquired regarding the procedure which Government visualised in order to make the application of the provisions in question practically effective, particularly in respect of sub-clause (1) wherein, in the Committee's opinion, it was desirable to include provisions which would enable the delegation of authority to persons in charge of different Police Stations where those who were in the vicinity and who suffered by the nuisance could immediately go and lodge a complaint. They added that their main anxiety was that powers under this clause should be exercisable swiftly with as little formality as possible.

Government in their reply dated 29th April observed that there was a provision in the new section 23(*a*) of the Act according to which complaints might also be lodged with an officer-in-charge of a police station and that the police would take further action after such a complaint had been lodged. It was further assured that the police would endeavour to take

swift action whenever complaints were received by them in the matter.

Payment of Contractors' Bills for Supplies made against Orders from Government Departments

In a letter dated 4th October addressed to the Ministry of Industry and Supply, Government of India, the Committee referred to complaints received from Contractors in regard to difficulties experienced by them as a result of delay encountered in obtaining payments for goods supplied by them against orders from the Department of Industries and Supplies. Referring in detail to the procedure in force for obtaining payments in respect of goods supplied to the Department, the Committee pointed out that it was a general complaint that the procedure was cumbersome and required simplification if prompt payments to the Contractors in respect of their outstanding Bills were to be ensured. If this was not done the Contractors would loose heavily by way of interest. They, therefore, requested Government to simplify the procedure of payment for supplies made by contractors.

Dual System in the Bombay High Court

In a letter dated 7th February, addressed to the Government of Bombay, the Committee referred to the previous correspondence on the subject wherein Government had mentioned that the question of the abolition of the dual system in the Bombay High Court was under active consideration and enquired if any progress had since been made and if so when Government expected to be able to introduce the necessary legislation for giving effect to the reform.

Difficulties of Private Distilleries under the Bombay Molasses Act and Power Alcohol Act, 1947

In a letter dated 26th October addressed to the Government of Bombay, the Committee referred in detail to the difficulties experienced by the sugar factories manufacturing alcohol and other by-products from molasses, under the provisions of the above two acts relating to production, distribution and supervision by Government excise staff. It was pointed out that Messrs. Walchandnagar Industries Ltd. had represented to the Committee the various difficulties in connection with

the working of their distillation plant producing rectified spirit, denatured spirit, etc. After a factual presentation of such difficulties the Committee observed that Government should set up an enquiry in regard to the working of the private distilleries, the procedure for sale and distribution of their products and hardships they had been encountering from the Excise Department in their manufacturing activities. In that connection they also invited the attention of Government to the necessity for increasing the production of power alcohol and stressed that in the existing difficult position of transport it was not desirable that the authorities should put any check on the production of power alcohol.

Government's Policy in Respect of Public Holidays

In a letter dated 6th May addressed to the Government of Bombay the Committee referred to the proposal of Government for reducing the number of holidays. In this connection they submitted that the climatic and cultural difference as between this country and other countries would have to be given due allowance before coming to a final decision in the matter. They pointed out that the different sections of the Society in the country generally and in this province in particular attached great importance to the observance of the traditional festivities and occasions connected with their own community and, therefore, it would not be proper for Government, just with a view to achieving a curtailment in the overall number of holidays, to interfere with the accepted privileges which the communities concerned had come to cherish. With reference to the proposed revised list of Holidays they pointed out that the proposal to discontinue Hindu New Year, Maha Shivarathri, Holy and Cocoanut Day as Public Holidays was likely to lead to a good deal of public dissatisfaction. They, therefore, earnestly submitted that the four days referred to above should be continued as Public Holidays under the Negotiable Instruments Act.

Working Hours under the Bombay Shops and Establishments Act

The Superintendent of Licences, Shops and Establishments, Bombay Municipality, had forwarded to the Committee for their consideration a suggestion that the hours of

work of employees in commercial houses should be fixed from 7-30 a.m. to 12-30 p.m. This proposal was being considered with a view to improve the health and efficiency of the employees. The Committee in a letter dated 2nd December addressed to the Superintendent of Licences, Shops and Establishments, pointed out that they were strongly opposed to the proposal of changing the working hours for persons employed in commercial houses from 7-30 a.m. to 12-30 p.m. The change proposed would not fit in with the habits of life and the personal convenience of employees. Moreover, employees in commercial establishments staying in the suburban centres and coming to work in the City by the suburban railway service would experience great difficulty in reaching the City at 7-30 a.m. Moreover, in order to improve the general economic condition obtaining in the country and to combat the existing position of inflation, leaders of public opinion had lately been stressing the importance of increased production and increased work. The proposal to reduce hours of work was not consistent with the demand for increasing production and intensifying economic activities. Further, working hours in offices should be more or less in correspondence to the working hours in shops and establishments. They were of the opinion that the authorities should not introduce any limitation or regulation on the hours of work other than what is already provided under the Bombay Shops and Establishments Act. They therefore requested that the proposed change was not feasible and not in the general interests of the community and the Bombay Municipality should abandon the same.

Examination for the Certificates under the Auditors' Certificate Rules, 1932

In a letter dated 15th November addressed to the Indian Accountancy Board, the Committee referred to the very heavy percentage of failures at the recent examinations conducted under the Auditors' Certificate Rules, 1932. In this connection they pointed out that on many occasions the questions set for the past examinations had been of a standard which perhaps was very much in advance of the requirements of the situation. While they were anxious that the standard of the Accountancy profession in the country should be kept

at a reasonably high level they were of the opinion that the papers set for such examinations should be such as could be attempted and completed with success by an average candidate within the time allotted. They further stressed that emphasis should be laid on getting an indication of the general knowledge of an examinee in subjects like Economics for purposes of such examinations. They requested that the Board should look into the matter and issue such general instructions to those who are entrusted with the task of setting the question papers as would result in the examinations being conducted in a manner which would mainly test the general mental development and outlook of the candidate and to test the capacity of the examinee in regard to the essentials of the law and practice of the profession.

Election of a Representative of the Chamber on the Regional Advisory Committee for Railway Priority

The Committee nominated Mr. Ramdas Kilachand, President, as the Chamber's representative on the above Committee.

Election of a Representative of the Chamber on the Local Advisory Committee of the G.I.P. Railway

The Committee elected Sir Chunilal B. Mehta as their representative on the above Committee for a fresh term of two years.

Nomination of a Representative of the Chamber on the Bombay Port Committee

The Committee nominated Mr. Bhawanji A. Khimji, Vice-President, as the representative of the Chamber on the Bombay Port Committee.

Chamber's Representative on the Advisory Board of the Sydenham College of Commerce and Economics

The Committee appointed Sir Rahimtolla M. Chinoy as the Chamber's representative on the Advisory Board of the Sydenham College of Commerce and Economics for a fresh term of three years.

Election of a Representative of the Chamber on the Bombay Port Pilferage Committee

The Committee elected Mr. C. H. Divanji as the Chamber's representative on the above Committee for a fresh term of two years beginning from 1st June 1948.

Election of a Representative of the Chamber on the Advisory Committee of the I.M.N.T.S. Dufferin

The Committee elected Mr. M. A. Master as their representative on the above Committee for a fresh term of two years.

Election of a Representative of the Chamber on the Board of Communications, Bombay

The Committee nominated Mr. K. C. Desai as the Chamber's representative on the Board of Communications, Bombay, for a period of two years.

Chamber's Representatives on the Indian Sailors' Home Society

The Committee appointed Mr. J. P. Mehta and Mr. Vijaysinh Govindji as their two representatives on the Committee of the reconstituted Indian Sailors' Home Society.

Appointment of a Representative of the Chamber on the Textile Trade Marks Advisory Committee

The Committee appointed Mr. Madan Mohan R. Ruia as the representative of the Chamber on the Textile Trade Marks Advisory Committee for a fresh term commencing from 8th August 1948.

Election of a Representative of the Chamber on the Indian Central Coconut Committee

The Committee renominated Mr. K. M. Antia as a representative of the Chamber on the above Committee for a fresh term of three years.

Election of a Representative of the Chamber on the Standing Advisory Committee regarding Back Bay Reclamation Scheme

The Committee nominated Mr. Manu Subedar as the Chamber's representative on the above Committee for a period of three years.

Delegates for the 21st Annual Session of the Federation of Indian Chambers of Commerce and Industry

Mr. Ramdas Kilachand,
Mr. Bhawanji A. Khimji,
Mr. M. A. Master, and
Mr. Tulsidas Kilachand, were nominated.

as delegates to represent the Chamber at the 21st Annual Session of the Federation held at Delhi last March.

Nominations for the election of Office-bearers of the Federation of Indian Chambers of Commerce and Industry for the year 1948-49

The Committee nominated Mr. Tulsidas Kilachand as a candidate for the election as the honorary treasurer of the Federation for 1948. Mr. Tulsidas was duly elected.

21st Session of the Federation of Indian Chambers of of Commerce and Industry

The Committee in their communication dated the 20th February 1948 forwarded draft Resolutions for consideration at the 21st Annual Session of the Federation on the following subjects:

(1) Adherence to the System of Private Enterprise.
(2) Inadequacy and low standard of Public Utility Services.
(3) Representation for Commerce in the future Legislatures.
(4) Reciprocal arrangements for equal treatment to Indian Nationals in foreign countries.
(5) Evasion of contractual obligations by foreign suppliers.
(6) Increase in production.
(7) Export Drive.
(8) International Conference on Trade and Employment.

Election of a Representative of the Federation on the Central Advisory Committee, for Light House

The Committee nominated Mr. M. A. Master as candidate for the above election. Subsequently Mr. Master was elected as one of the representatives of the Federation on the above Committee.

Election of a Representative of the Federation, on the All-India Board of Technical Studies, Commerce and Business Administration

The Committee nominated Prof. M. P. Gandhi as a candidate for election of a representative of the Chamber on the All-India Board of Technical Studies, Commerce and Business Administration. Prof. M. P. Gandhi has since been duly elected as the Federation's representative on the above body.

Election of a Representative of the Federation on the All-India Air Board

The Committee nominated Mr. Dahyabhai V. Patel as a candidate for the election of a Federation's representative on the All-India Air Board. Subsequently Mr. Dahyabhai V. Patel was duly elected as the Federation's representative on the above Board.

Death of Mahatma Gandhi

The Committee at their meeting held on Monday the 2nd February 1948 gave expression to the overwhelming feeling of grief and sorrow at the death of Mahatmaji and paid homage to the memory of the departed leader by observing silence and offering prayers. After prayers the meeting of the Committee was adjourned.

Death of Syt. D. P. Khaitan

The Committee at the meeting held on 2nd March 1948 passed a resolution placing on record the sense of grief and loss at the sad death of Syt. D. P. Khaitan.

Death of Syt. Devidas Madhavji Thakersey

The Committee at the meeting held on 16th March 1948 passed a resolution placing on record the sense of grief and loss at the sad death of Syt. Devidas Madhavji Thakersey.

Death of Mr. Noormahomed M. Chinoy

The Committee at their meeting held on 4th May 1948 passed a resolution placing on record the sense of grief and loss at the sad death of Mr. Noormahomed M. Chinoy.

Death of Sir Homi Mehta

The Committee at their meeting held on 4th May 1948 passed a resolution placing on record the sense of grief and loss at the sad death of Sir Homi Mehta.

Death of Seth Vithaldas Kanji

The Committee at their meeting held on 28th September 1948 passed a resolution placing on record their deep sense of sorrow at the sad and untimely death of Seth Vithaldas Kanji.

Death of Sir Sorab Saklatvala

The Committee at their meeting held on 2nd October 1948 passed a resolution placing on record the sense of grief and loss at the sad death of Sir Sorab Saklatvala.

Death of Syt. K. F. Nariman

The Committee at their meeting held on 5th October 1948 passed a resolution placing on record the sense of grief and loss at the sad death of Syt. K. F. Nariman.

Membership of the Chamber

At the beginning of the year, there were on the Register 2,349 Members. During the year 289 Ordinary Members were elected; and 72 discontinued their membership (52 having resigned, 4 having died, and 16 having been struck off from the Register). There are thus 2,566 Members now on the Roll.

It may be mentioned that there were 108 Association Members at the beginning of the year; 14 Associations joined as Members and 5 resigned during the year. There are thus 117 Association Members.

Commercial Examinations

The Commercial Examinations conducted by the Chamber in various centres in India were held from 30th April to 4th May 1948. The total number of candidates who appeared at these examinations was 1,117. Out of these 194 passed in Diploma subjects and 247 passed in Certificate subjects. 163 candidates were accorded exemptions in various subjects. 63 recognized institutions sent candidates for the examinations. The examinations were held in the following centres:—

Ahmedabad	Indore	Nagpur
Bangalore	Junagadh	Palghat
Baroda	Ladnun	Porbunder
Bombay	Madras	Poona
Coimbatore	Mangalore	Surat
Delhi	Mysore	Trichinopoly

Library of the Chamber

During the course of the year nearly 275 books were added to the Library of the Chamber—names of which were published in the monthly issues of the *Journal*—apart from the reports received from the Central and Provincial Governments and other minor pamphlets received from various institutions. Nearly 450 members of the Chamber and their friends took advantage of the books available in the Library. Nearly 650 inquiries were answered in connection with reference books and such other minor information through the Chamber's Library. It is, however, hoped that more members would frequently take advantage of the various books and journals received in the Chamber and profit from the literature available therefrom.

Accounts

The Statement of Accounts of the Chamber for the year ended 31st December 1948 with the Auditors' Report is annexed hereto. It will be observed that a sum of Rs. 2,537 has been received as contribution from the Representatives of the Chamber on various Public Bodies. The best thanks of the Committee are due to the gentlemen who have made these contributions.

THE INDIAN MERCHANTS' CHAMBER

Balance Sheet as at 31st December 1948.

LIABILITIES	Rs.	a.	p.	PROPERTY & ASSETS	Rs.	a.	p.
CAPITAL FUND AND OTHERS:							
CAPITAL FUND:							
Admission Fee of members upto 31-12-47 ...	1,49,800	0	0				
Admission fee of members received during the year ...	13,950	0	0				
	1,63,750	0	0				
Patron fees upto 31-12-47	97,500	0	0				
				2,61,250	0	0	
Contribution from Messrs. Narrondass Manordass				20,000	0	0	
FUNDS EARMARKED FOR LIBRARY: (Amount spent upto 31-12-48 Rs. 2,477-13-3)				3,209	4	6	
L. R. TAIRSEE MEMORIAL FUND:							
Donation	3,000	0	0				
Balance upto 31-12-47	Rs. a. p. Nil						
Interest Received during the year ...	77 0 0						
	77 0 0						
Less: Cost of prize awarded	74 3 0						
	2 13 0						
				3,002	13	0	
DENA BANK PRIZE FUND:							
Donation	1,800	0	0				
Balance upto 31-12-47	Rs. a. p. 93 15 0						
Interest received during the year ...	37 2 0						
	131 1 0						
Less: Cost of prize awarded ...	45 8 0						
	85 9 0						
				1,885	9	0	
Subscriptions received in advance from members				1,825	0	0	
Staff Provident Fund				45,203	4	4	
Provident Fund Lapse Account				1,263	15	0	
Staff Income-tax				11	7	0	
Sundry Creditors for Expenses				4,272	0	0	
Sundry Deposits				595	9	0	
Deposit of Gratuity amount				3,275	0	0	
INCOME AND EXPENDITURE ACCOUNT:							
Balance as at 31st December 1947 (Subject to Taxation for 1946 and 1947) ...	2,83,824	2	2				
Add: Excess of Income over Expenditure (as per annexed Account)	27,407	5	0				
				3,11,031	7	2	
Total Rs. ...				6,56,825	5	0	

PROPERTY & ASSETS	Rs.	a.	p.	Rs.	a.	p.
FURNITURE & FITTINGS AT COST:						
Upto 31-12-47 ...	33,479	10	6			
Additions during the year ...	1,167	7	6			
	34,647	2	0			
Less: Depreciation Rs. a. p.						
Upto 31-12-47 ... 12,002 0 0						
During the year... 2,079 0 0						
	14,081	0	0			
				20,566	2	0
MEASUREMENT DEPARTMENT:						
Furniture and Fittings at Cost						
Upto 31-12-47 ...	8,756	0	0			
Additions during the year ...	1,319	6	0			
	10,085	6	0			
Less: Depreciation Rs. a. p.						
Upto 31-12-47 ... 1,895 0 0						
During the year... 605 0 0						
	2,500	0	0			
				7,585	6	0
BOOKS FOR LIBRARY:						
Upto 31-12-47 ...	30,382	13	6			
Additions during the year ...	973	4	6			
	31,356	2	2			
Less: Depreciation Rs. a. p.						
Upto 31-12-47 ... 15,185 0 0						
During the year... 2,195 0 0						
	17,390	0	0			
				13,966	2	2
Motor Car and Accessories						
Upto 31-12-47 ...	7,186	4	0			
Less: Depreciation						
Upto 31-12-1947 ...	1,437	0	0			
	5,749	4	0			
Sale of Motor Car ...	7,186	4	0			
Profit on sale of Motor Car Transferred to Income & Expenditure Account ...	1,437	0	0			
Cost of New Motor Car ...	9,784	0	6			
Less: Depreciation during the year ...	2,446	0	0			
				7,338	0	6
Subscriptions due from Members				10,925	0	0
ADVANCES:						
Deposit with Central Publication Branch, Delhi ...	61	2	3			
Income-tax and Super-tax Advance Payment ...	3,721	14	0			
Advances for Bust of Mahatma Gandhi ...	1,000	0	0			
				4,783	0	3
INVESTMENTS: (Government Securities, etc. at Cost)						
CAPITAL FUND: Rs. a. p.						
3% 1st Development Loan (1970-75) of Rs. 45,000 44,292 3 0						
3% Conversion Loan (1946) of Rs. 50,000 50,000 0 0						
3% Loan (1951-54) of Rs. 10,000 9,996 14 0						
3% Loan (1964-65) of Rs. 30,000 30,065 10 0						
3% Loan (1959-61) of Rs. 15,000 15,384 6 0						
3% Loan (1959-61) of Rs. 15,000 15,721 14 0						
3% Loan (1959-61) of Rs. 7,000 7,065 10 0						
2½% Conversion Loan (1962) of Rs. 29,000 29,000 0 0						
2¾% Conversion Loan (1976) of Rs. 10,000 9,900 0 0						
5% Municipal Loan (1959) of Rs. 10,000 8,862 8 0						
In Fixed D/A with the Central Bank of India, Ltd. 25,000 0 0						
Loan to L. N. Memorial Trustees 14,000 0 0						
In Current Account with Central Bank of India, Ltd. (Part of Rs. 36,032-15-8) 1,960 15 0				2,61,250	0	0
GENERAL FUND:						
4% Port Trust Bonds (1968) of Rs. 2,000 2,025 0 0						
3½% B. P. C. L. M. Bank Deb. (1957-62) of Rs. 30,000 30,825 0 0						
3% 1st Development Loan (1970-75) of Rs. 60,000 58,293 12 0						
3% Loan (1951-54) of Rs. 15,000 14,995 5 0						
3% Loan (1970-75) of Rs. 25,000 26,250 0 0						
3% Loan (1959-61) of Rs. 15,000 15,384 6 0						
3% Loan (1959-61) of Rs. 18,000 18,168 12 0						
2¾% Loan (1962) of Rs. 9,000 9,000 0 0						
2¾% Conversion Loan (1976) of Rs. 40,500 40,095 0 0						
2¾% Loan (1962) of 2nd Issue of Rs. 20,000 20,000 0 0						
In fixed D/A with the Central Bank of India, Ltd. 20,000 0 0						
Loan to L. N. Memorial Trustees 23,500 0 0				2,28,537	3	0
COMMERCIAL EXAMINATIONS PRIZE FUND:						
4% Loan (1950-70) of Rs. 2,800 L. R. T. Memorial Fund ... 2,996 0 0						
3% Conversion Loan (1946) of Rs. 1,800 Dena Bank ... 1,800 0 0				4,796	0	0
CASH AND OTHER BALANCES:						
In Current Account with Central Bank of India, Ltd. ... 34,072 0 8						
In Current Account with Bank of India, Ltd. ... 10,311 0 2						
Cash on hand, (including cheques) 2,695 6 5				47,078	7	1
				5,91,661	10	1
Total Rs. ...				6,56,825	5	0

Bombay, 7th January 1949.

DEVIDAS VITHALDAS & CO.,
Registered Accountants & Auditors.

THE INDIAN MERCHANTS' CHAMBER

Income and Expenditure Account for the year ended 31st December 1948.

EXPENDITURE				Rs.	a.	p.	INCOME				Rs.	a.	p.
To:—							By:—						
Office Establishment	...	...	...	1,15,510	2	6	Membership Subscriptions	...	1,85,775	0 0			
Insurance, Heating & Lighting Charges			...	889	12	9	*Less:* Bad Debts	...	1,275	0 0			
Telephone Charges	...	...	...	1,187	0	0					1,84,500	0	0
Postage & Telegrams	...	...	...	10,036	2	9	Contributions from Chamber's Representatives on various Public Bodies	...			2,537	2	0
Printing Reports, etc.	...	...	...	30,815	9	0							
Printing Journal	...	...	...	20,075	7	0	COMMERCIAL EXAMINATIONS:		Rs.	a. p.			
Stationery	...	...	...	5,245	7	6	Fees for Examinations	...	13,109	12 0			
Newspapers and Periodicals		...	...	2,006	3	0	Fees for recognition of Commercial Institutions	...	695	0 0			
Miscellaneous Expenses	...	...	...	2,177	12	8	Sale of Syllabus and Question Papers	...	142	14 0			
Upkeep of Library, including Binding Charges			...	332	8	0	Advertisement in Syllabus	...	75	0 0			
Conveyance Charges	...	...	...	547	2	9					13,932	10	0
Commission on Advertisements		...	...	422	4	0	Interest on Investments and Current Accounts			...	10,007	9	0
Auditors' Honorarium	...	...	...	300	0	0	Fees for Issuing Certificates of Origin, etc.			...	12,979	0	0
Travelling Expenses	...	...	...	806	6	0	Advertisement in Journal		...	...	5,660	0	0
Repairs to Furniture, etc.		...	...	393	2	6	Subscriptions to Journal	...	...	...	543	14	0
Chairs, etc. Hire	...	...	...	331	0	0	Sale of Members' List, etc.		...	...	708	0	0
Membership Subscription to the Federation of Indian Chambers of Commerce and Industry			...	500	0	0	Sundry Receipts	...	...	...	51	0	0
Do. to the Indian National Committee of the International Chamber of Commerce				100	0	0	Profit on Sale of Motor Car		...	...	1,437	0	0
Do. to the Indian Standards Institution			...	250	0	0	Measurement and Weighment Fees			...	58,964	7	6
Bank Commission	...	...	...	75	13	0							
Safe Custody Charges	...	...	...	122	0	0							
Advertisement Charges	...	...	...	122	8	0							
Loss on Conversion of Securities		...	...	25	0	0							
Election Expenses	...	...	...	473	4	0							
Motor Car Maintenance Charges		...	...	2,849	13	6							
Contribution to Staff Provident Fund			...	6,669	0	0							
Interest on Staff Provident Fund		...	...	1,352	1	0							
			Rs.	a.	p.								
COMMERCIAL EXAMINATIONS:													
Remuneration to Examiners, Centre Expenses, etc.	...		4,911	0	6								
Printing and Stationery	...		2,626	12	0								
Postage & Telegrams	...		434	7	9								
						7,972	4	3					
MEASUREMENT DEPARTMENT:													
Salaries and Wages	...		33,324	7	3								
Rebate of Fees	...	...	7,607	14	6								
Printing and Stationery	...		1,031	1	0								
Postage & Telegrams	...		41	0	6								
Conveyance Charges	...		205	2	0								
Petty Expenses	...		1,262	4	9								
Insurance	...		40	13	0								
Rates and Taxes	...		53	7	0								
Interest on Staff Security Deposit			8	12	0								
Telephone	...		38	15	0								
Repairs to Ghowkies	...		485	0	0								
						44,998	10	6					
DEPRECIATION:													
Furniture and Fittings	...		2,079	0	0								
Do. (Measurement Dept.)	...		606	0	0								
Library Books	...		2,195	0	0								
Motor Car	...		2,446	0	0								
						7,325	0	0					
Balance being excess of Income over Expenditure transferred to Balance Sheet (subject to Taxation)			...	27,407	5	0							
	Total Rs.		...	2,90,418	10	6		Total Rs.		...	2,90,418	10	6

We have audited the foregoing Balance Sheet of the Indian Merchants' Chamber as at 31st December 1948, and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that—

(a) we have obtained all the information and explanations we have required;

(b) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books;

(c) we have verified the Investments; and

(d) such Balance Sheet exhibits a true and correct view of the state of the Chamber's affairs according to the best of our information and explanations given to us and as shown by the books of the Chamber.

DEVIDAS VITHALDAS & CO.,
Registered Accountants & Auditors.

Bombay, 7th January 1949.

RAMDAS KILACHAND
President.

A. C. RAMALINGAM,
Secretary.

LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

Balance Sheet as at 31st December 1948.

FUNDS & LIABILITIES				Rs.	a.	p.	PROPERTY AND ASSETS				Rs.	a.	p.
Contribution from Donors:							**Building at Cost:**						
As per last Balance Sheet			...	1,81,039	12	0	As per last Balance Sheet			...	2,34,389	1	2
Loan secured by Hypothecation of Documents (Indian Merchants' Chamber)			...	37,500	0	0	Rent outstanding (considered good)			...	1,463	3	0
Interest accrued on above			...	750	0	0	Prepaid Expenses			...	1,778	6	6
Liabilities:	Rs.	a.	p.				**Cash Balances:**	Rs.	a.	p.			
For Expenses ...	2,005	8	0				Cash at Bank—Current A/c. ...	14,262	9	11			
For Rent Deposit ...	750	0	0				On Hand ...	262	2	6			
				2,755	8	0					14,524	12	5
Revenue Account:													
As per last Balance Sheet (subject to taxation 1946 & 47) ...	24,532	6	10										
Surplus during the year (subject to depreciation and taxation for 1948) ...	5,577	12	3										
				30,110	3	1							
Total Rs. ...				2,52,155	7	1	Total Rs. ...				2,52,155	7	1

LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

Revenue Account for the year ended 31st December 1948.

EXPENDITURE		Rs.	a.	p.	INCOME		Rs.	a.	p.
To :					By :				
Ground Rent		7,942	0	0	Rent		24,027	0	0
Municipal Rates & Taxes		7,087	3	0	Interest on Current Deposit A/c.		27	8	0
Electric Charges		805	6	3					
Fire Insurance		189	11	0					
Maintenance & Repairs		1,210	5	6					
General Charges		87	10	0					
Postage		4	8	0					
Interest on Loan		750	0	0					
Stores		400	0	0					
		18,476	11	9					
Surplus during the year subject to depreciation and taxation for 1948		5,577	12	3					
	Total Rs.	24,054	8	0		Total Rs.	24,054	8	0

We have audited the foregoing Balance Sheet of the Lalji Naranji Memorial Indian Merchants' Chamber Building Trust as at 31st December 1948 and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that :—

(*a*) we have obtained all the information and explanations we have required ;
(*b*) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books ;
(*c*) we have verified the investments ; and
(*d*) such Balance Sheet exhibits a true and correct view of the state of the Trust's affairs according to the best of our information and the explanations given to us and as shown by the books of the Trust.

Bombay, 24th February 1949.

Devidas Vithaldas & Co.
Registered Accountants,
Hon. Auditors.

A. C. Ramalingam
Hon. Secretary.

(1) Chaturbhuj Gordhandas Soondardas
(2) Gordhandas Goculdas Morarji
(3) Pranlal Devkaran Nanjee
(4) J. C. Setalvad
(5) Mathuradas Vissanji (Sir)

Trustees.

APPENDICES

I.—TRANSPORT AND COMMUNICATIONS

APPENDIX 1

Enquiry into the Question of Development of Sailing Vessels Traffic

Letter No. 3386, dated 4th November 1948, from Chamber to the Secretary, Sailing Vessels Committee, Bombay.

I am directed to refer to your letter of the 17th August forwarding a copy of the Questionnaire issued by the Committee in connection with the enquiry connected with the development of Sailing Vessels traffic. Most of the questions contained in the Questionnaire are addressed directly to interests actively engaged in traffic by sailing ships as owners, underwriters, charterers, brokers, agents, etc. and in many cases call for information of a factual character with particular reference to the scope and character of the traffic by sailing vessels. My Committee naturally are not in a position to answer questions of the above character. They presume that the interests directly concerned with the trade would be furnishing your Committee with the necessary factual data.

In the present communication, my Committee would confine themselves to a general statement of views on issues of principle involved in the enquiry. They would also attempt to answer some of the questions which have a direct bearing on broad issues of policy.

In the year 1947, the Government of India appointed a Reconstruction Policy Committee on Shipping. This Committee went into the needs and requirements of the country in the matter of shipping tonnage and indicated the steps necessary for developing an Indian Mercantile Marine adequate to the requirements of the situation. The said Committee estimated that the overseas trade emanating from or terminating in India would amount to more than 10 million tons a year and that in addition there would be a passenger traffic of about 3 million. It was further pointed out that to cater for the above traffic, India would have to have 2 million gross tons of shipping.

The Policy Committee at the same time pointed out that these 2 million tons were exclusive of the trade that would be carried by country-crafts. The country-craft traffic has been going on in this country from times immemorial, particularly in the Western Coast. Although there are no reliable

estimates in regard to the present tonnage of the country-crafts, particularly during the period of the war, new crafts have been built and traffic by country-crafts supplemented the tonnage resources of the country during that period of emergency.

The Government of India have accepted the recommendations of the Shipping Policy Committee and have formulated a programme of action to give effect to the same. In view of the present difficulties in acquiring immediately sufficient shipping tonnage and with a view to preserving the traditional traffic by country-crafts, particularly in the coastal trade, it would be necessary to have a definite programme for assisting the growth of country-crafts traffic and for regulating it in such a manner as would serve the larger interests of the country.

At present, the country-craft traffic is not properly organised and regulated. As previously mentioned, it is difficult to form even any reliable estimate in regard to the present tonnage. Efforts must, therefore, first be concentrated on bringing about the necessary arrangements, which would place this traffic on an organised basis. For this purpose, specific legislation covering country-craft traffic would perhaps be necessary.

There should be provision for registration of country-crafts with a system of licensing of such crafts. No craft should be allowed to ply without obtaining a licence as prescribed under law. The licensing provisions should include measures necessary to ensure crafts being kept and maintained in good condition so as to be seaworthy. Some qualification should also be prescribed for the tindels operating the country-crafts. Perhaps, a system of issuing certificates of competency by prescribed authorities based on a minimum experience of five years would be suitable as one of the conditions for eligibility for operating a craft. As in the case of ships, suitable machinery should be devised for the inspection of crafts at periodical intervals. In short, an effort should be made to bring about conditions under which traffic by country-crafts would be normally safe and that owners of crafts or tindels would not be in a position to play any tricks with the cargo that might be entrusted to them.

Having regard to the uncertainty attached to cargo delivered or carried by country-crafts, difficulties have occurred in the past where the Customs authorities had insisted shippers of goods on executing a security bond regarding the safe delivery of the goods carried by country-crafts in the port of destination. This precaution was taken with a view to safeguard against such goods being diverted to unauthorised des-

tinations. Naturally, a shipper has no control over the movement of a craft after the cargo has been tendered and it would be unfair to shippers to be called upon to bear responsibility in regard to goods carried by country-crafts. Consequently, the shippers on such occasions are disinclined to make use of the country-crafts for movement on their traffic. This difficulty could be obviated by a proper system of licensing and registration and under the system the owners and the tindels should be held responsible for the safe delivery of the cargo entrusted to crafts at the port of destination.

Another difficulty in the way of increased use of country-crafts has been the high and widely varying rates of marine insurance for goods carried by such crafts. These rates may be actuated by considerations of risk experience. My Committee have also heard it suggested that there are even occasions where the tindels have first removed the cargo and then scuttled the boats and tried to take advantage of the insurance cover. After the trade is properly regulated under a strict scheme of licensing, such malpractices can be dealt with and consequently a proper scheme for insurance with a reasonable tariff made possible. My Committee are mentioning this with a view to emphasise that increased use of country-crafts for the carriage of trade cargo would be to some extent dependent on the feasibility of arrangements for insurance at reasonable rates.

Prescription of a definite load line is an important aspect in the carriage of goods over water. Ocean-going vessels are governed by strict law relating to load lines and International Agreements attach considerable importance to the enforcement of load lines. If load lines are not properly prescribed and enforced, there is always the danger of crafts being subjected to increased risks. My Committee suggest that for country-crafts also, strict rules regarding load lines should be prescribed. The load lines should be clearly marked on the crafts and any infringement of the requirements in regard to the load line should be subject to severe penalties.

After the preliminary efforts to regulate and organize the crafts have borne a fair measure of success, the question of mechanisation of sailing vessels may also be considered. While such mechanisation need not be made compulsory, it is reasonable to assume that mechanised crafts would in the long run offer definite advantage in handling the traffic and in catering to the requirements of the trade.

With these preliminary remarks, my Committee would attempt to answer some of the questions having a bearing on larger issues of policy.

Questions 1 to 6 are obviously addressed to Associations representing country-crafts interests.

Question 7: As in the case of blue water shipping, brokers play a prominent part in assisting country-craft owners in securing cargo for such crafts. As a corollory, they also assist shippers in securing space. It would be very much in the interests of the trade if such brokers could be organised by a system of licensing. Perhaps, a ceiling would have to be placed on the number of licensed brokers. The trade would then be handled by a body of persons who may not resort to any of the malpractices to which this trade is generally subjected. Terms and conditions under which the brokers were expected to work may also be standardised.

Question 13: The shippers have complained that there is no uniformity in regard to measurement practice in the different ports. Vessels taking cargo from Bombay, however, have to be measured at Bombay. Perhaps, Government may consider the desirability of instituting the system of authorised measurers and Chambers of Commerce doing measurement work should have the exclusive privilege of undertaking measurement and issuing certificates therefor.

Question 14: The registration work should with a view to ensure uniformity and the preservation of prescribed standards be done by the Mercantile Marine Department of the Indian Union.

Question 37: The policy in regard to reservation of traffic for the exclusive sphere of country-crafts is very much linked to the future policy in regard to reservation of traffic for Indian shipping as a whole. The Policy Committee on Shipping recommended that 100% of the total coastal trade of India and 75% of India's trade with Burma, Ceylon and geographically adjacent countries, 50% of India's distant trades and 30% of the trades formerly carried in Axis vessels in the Orient should be secured for Indian shipping in the next five to seven years. The reservation of coastal shipping is a matter on which exclusive national action may perhaps bring about the desired results. But the reservation in respect of the other classes of trades mentioned above will be possible only on the basis of some agreement with the countries or parties operating in such trades. If the coastal trade of the country is exclusively reserved for national shipping, certain special types of traffic such as requirements of the military, movements between pairs of minor ports not easily navigable for ships, etc. may be allotted for country-crafts. But at any rate, at the present juncture, it would be undesirable to reserve any specific trade for the exclusive sphere of country-crafts. The traffic must have the freedom to select its own carrier.

Question 38 : A system of licensing and control, although of limited duration and scope, has been introduced in the coastal trade for deep water shipping. The system with suitable adaptations may be extended to country-crafts. But, at any rate, for traffic in the coast, crafts owned by or registered in foreign countries should on no account be allowed facility of licence or registration.

In conclusion, my Committee feel that if as a result of the present enquiry, a definite scheme is drawn out for organizing and regulating movement by country-crafts, it will go some way in solving the transport shortage, which is responsible for a good deal of disorganisation in the pursuit of the normal, social and economic activities.

APPENDIX 2

Revision and Consolidation of the Law relating to Merchant Shipping in India

Letter No. 1042, dated 3rd April 1948, from Chamber to Ministry of Commerce, Government of India.

The Committee of my Chamber understand that the Government of India have taken on hand the revision of the Indian Merchant Shipping Act, 1923, the Indian Registration of Ships Act, 1841, the Amendment Act, 1850, and the various rules, instructions and executive orders issued thereunder. In that connection it would appear that Government have in the first instance called for concrete suggestions from shipping interests on matters pertaining to the revision of the above laws and regulations.

My Committee appreciate the desirability of codifying all laws relating to Merchant Shipping in India with a view to the enactment of a self-contained Statute embracing all aspects of the matter. The work, however, is of very great importance and requires to be handled on an expert level. My Committee suggest that the preliminary work of formulating draft suggestions for consideration should be undertaken by Government themselves. They should be advised in that process by a Committee composed of representatives of shipping interests and legal experts. The Advisory Committee should be entrusted with the task of preparing the draft of the proposed legislation. The draft when ready should be circulated to shipping companies and other organisations representing shipping interests. The legislation should be promoted in the light of the views and suggestions received from such interests on the draft proposals. It is only by such a procedure that the Government can expect to make progress on right lines in regard to this vital matter. The procedure of first

inviting the shipping companies to send preliminary suggestions, my Committee fear, is not likely to lead to appreciable results.

My Committee hope that Government will be good enough to give the above suggestions their earnest consideration and accordingly take necessary steps to set up a Committee for the purpose of preparing a draft of the proposed legislation for consolidating the laws relating to Merchant Shipping in India.

APPENDIX 3

Representation on the Board of the Bombay Port Trust

Letter No. 19-P(136)|48, dated 25-10-48, from Ministry of Transport, Government of India, to Chamber.

I am directed to forward herewith a copy of the Bombay, Calcutta and Madras Port Trusts (Constitution) (Amendment) Act, 1948, from which it will be observed that the Central Government have to specify by notification in the *Official Gazette* the allocation of 12 elective seats on the Bombay Port Trust Board. It is proposed to allocate these seats as in the Statement I attached. In order to give representation also to important sectional commercial interests, it has been decided to introduce a system of panels under which the Chambers of Commerce granted direct representation should frame and submit to the Government a panel of the sectional interests which should be represented through them and they should then elect their representatives within the number prescribed for them from among the provincial sectional interests contained in the panel for a particular period. When one term of the office of the trustees is over and another begins, the commercial bodies having direct representation will be asked to elect their representatives from among the other interests on the panel and so on. A statement II showing the names of the Chambers, Associations or other interests who have specially asked for representation but are not proposed to be given direct representation under the new constitution is enclosed for information. I am to request that your Chamber may submit urgently for the approval of the Government of India a panel of the commercial interests which should be given representation through them within their quota of seats in accordance with the procedure indicated above. The claims of the bodies or interests enumerated in the Statement II referred to above should be taken into account in making your recommendations.

STATEMENT I.

Bombay

Name of Body	*No. of Seats*
Indian Merchants' Chamber	8
Bombay Chamber of Commerce	2
Bombay Millowners' Association	1
The Maharashtra Chamber of Commerce	1
Total	12

Letter No. 3728, dated 7th December 1948, from Chamber to Ministry of Transport, Government of India.

I am directed to acknowledge receipt of your letter No. 19-P(136)/48, dated the 25th October 1948, on the above subject. My Committee note that in the allocation of Elective Seats to Commercial Bodies on the Board of the Bombay Port Trust it is proposed to allot eight seats to the Indian Merchants' Chamber.

My Committee further note that it is proposed to introduce a system of Panels under which Chambers of Commerce granted direct representation would frame and submit to Government a panel of the sectional interests which should be represented through them. It may, incidentally, be explained that this Chamber has voluntarily followed such a system even in the past in the matter of representation accorded to it on the Board of the Bombay Port Trust on the basis of the existing constitution.

My Committee suggest that the 8 seats allotted to the Indian Merchants' Chamber may be distributed among the different sectional trade interests as under:

Cotton	1 seat
Piecegoods	1 „
Grain, Seeds & Vegetable oils	1 „
Shipping	1 „
Import-Export trade	1 „
Manufacturers, excluding cotton textiles	1 „
General	2 „
Total	8 seats

It is further suggested in Government's letter under reply that when one term of office of the Trustees is over and another begins, the Commercial Bodies having direct representation will be asked to elect representatives from among

the other interests on the panel. In the case of this Chamber. however, as the panels suggested are within the number of seats allotted and as in the said suggestion almost all the important trades have been included, the system of election by rotation may not be necessary. Two seats have been set apart as "General"; any trade not included in the specified panels can expect to get represented through these "General" seats. Whenever occasion demands, the case of any particular trade not represented will, no doubt, be reviewed by the Chamber.

My Committee presume that the procedure in regard to the election of representatives from the different panels will be left to be settled by appropriate rules framed by the Chamber. So far as this Chamber is concerned, for the purpose of the election of the representatives on the Port Trust, the Membership Roll of the Chamber will be classified into as many sections as there are sectional panels for representation. The right of standing for election from each such section would be confined to a member or a representative of a member from that particular section and so registered in the Roll above referred to. But the candidate seeking election as representative of a particular trade section will, however, have to seek the franchise of the whole electorate, i.e. the General Body of Members of the Chamber. The procedure is somewhat analogous to the procedure governing election of representatives for Reserved Seats in General Constituencies. Incidentally, it may be explained that the same procedure was being followed by this Chamber in the past for election of its quota of representatives under the old constitution.

My Committee presume that in terms of sub-section 2 of Section 6 of the Bombay Port Trust Act, the rules governing procedure will be left to be determined by the Chamber.

My Committee trust that the above proposals will meet with the approval of Government.

APPENDIX 4

Difficulties experienced by Merchants as a result of the Customs & Port Trust Procedures

Suggestions placed before Mr. Y. N. Suktankar, Secretary, Ministry of Transport, Government of India.

1. Refund of Import Duty on Consignments short landed:

There is at present no provision in the Sea Customs Act for refund of import duty in respect of goods short received. In practice, however, it is understood that relief is given to importers in cases, where it is proved to the satisfaction of the

Customs Authorities that the missing goods were not in fact despatched or were lost prior to the arrival of the vessel in the docks. In both cases, the shortage has to be proved to the satisfaction of the Customs House before the goods pass out of the Customs control and in the latter case the shortage must be established by a survey held prior to clearance. Suggestions have been made by the Indian Merchants' Chamber that Government should examine the point further and take steps to include a suitable provision in the Sea Customs Act for allowing abatement or refund of duty in respect of goods lost or short delivered, the importer being liable to pay duty only on such of the goods as are actually delivered to him.

2. Delay in the issue of short landed certificates:

The Chamber has received complaints about difficulties experienced by the trade on account of the delay in the Port Trust Authorities issuing certificates in regard to consignments which are short landed. Under Section 40 of the Sea Customs Act, no refund of charges once paid shall be made unless the claim in respect of such refund is preferred within three months from the date of the original payment. The claim for refund has to be supported by a certificate from the Port Trust about short landing. Instances have been brought to the notice of my Committee in which the delay in furnishing such certificates had rendered the claim time-barred on account of the fact that the same could not be preferred within the period of three months. As the provisions of the Sea Customs Act are mandatory, the Customs Authorities are disinclined to show any consideration, even though the delay in submitting the claim was due to factors beyond the control of the claimant. Arrangements should, therefore, be made to furnish short landed certificates within a few days of the general landing date.

3. Free days allowed to Consignees for Clearance:

The free days are calculated with reference to the general landing date. In many cases, entire consignments or parts thereof are being landed subsequent to the general landing date and sometimes the consignments are landed in full only after the free period is entirely over and the consignee is needlessly penalised by the levy of extra charges. When the period of the free days or a part thereof is utilised for landing purposes, it is reasonable to suggest that the consignee should be enabled to obtain full advantage of the free period by an extension in time. Under the present rules, in cases where entire consignments have been landed subsequent to the general landing date and when delivery has been applied for on completed documents for portions of consignments which may

have been landed subsequent to the expiry of the free period, an extension of the free period is permissible. What the Chamber suggests, however, is that the free period should begin only after the entire consignment has been landed and traced.

4. Arrangements for Storage and Tracing of Goods:

The Port Trust Authorities as bailies are expected to

(a) arrange for a correct tally of all the imported merchandise as per marks;

(b) store and stack the packages exacty as per marks; and

(c) trace and point out the packages to the importers or their representatives and assist the importers in searching for any of those not immediately traceable.

There is a general complaint that lately the above requirements are not being carried out. There does not seem to be a strict check on the goods actually imported. The storage and stacking arrangements are haphazard and there is considerable delay in tracing the goods. Moreover, the importers complain that they are not getting the requisite assistance from the Port Trust staff in attempts to trace the goods.

Again, consignments are broken into lots and on many occasions stored at different places. In the same docks, parts of the consignment are kept in different sheds. Apart from the difficulty in tracing the full lot thus scattered over different places of storage, difficulties are also experienced in arranging for the transport of the same.

5. Delay caused by Customs formalities:

In many cases the delay in the clearance of goods from the docks, it is reported, is caused by the delay in the completion of the Customs formalities. Delays in the Customs occur under the following circumstances:

(1) Even normally, the process of appraisement takes anything between 5 to 6 days and consequently the Bills of Entry are passed late.

(2) The value mentioned in import licences represents the value quoted at the time of placing of orders. The shippers retain freedom to vary the rate in accordance with prices that may be prevailing at the time of shipment. This would lead to a disparity as between the licence value and the invoice value. Some quick procedure for adjustment of such formal discrepancies should be evolved.

(3) In the case of items like machinery, the Appraising Department requires Blue-prints, Catalogues, Drawings, etc.

Where there is delay in securing supplies of such literature from the manufacturers, the feasibility of a system of provisional assessment on the basis of which the goods may be allowed to be cleared may be examined.

(4) Difficulties caused by part of a consignment under the same import licence being landed in one Port and the other part in another port, the relevant licence being held up in the first port. Arrangements should, therefore, be made authorising the Customs Authorities at the first port to send a certified copy of the licence for the purpose of the formalities at the second port.

(5) The Import Control Authorities in some cases give only Exchange Control copy of the licence in advance, the arrangement being that the Customs copy would be issued on the arrival of the steamer. This inevitably leads to delay in clearance. As soon as the licence is sanctioned, both the Customs and the Exchange Control copies should be issued.

6. Inadequacy of the Warehouse accommodotion in the Docks:

Damage to consignments by being left in the open.

7. Loss of goods during the process of Customs examination and appraisement:

Under Docks Bye-law 99, consignments taken for the Customs examination and appraisement remain at the Docks premises at the risk of the owners. Subsequent to discharge of goods from the ships, the shipping companies, under the terms of the Bill of Lading, disclaim any responsibility for loss. Under Sections 196 and 197 of the Sea Customs Act, the Customs Department maintains that as it is concerned only with the examination of the goods for the purpose of verifying the particulars for assessment of duty, it has no liability for loss or damage to the goods incurred either before or after the examination. Although during the above stages physically the goods are within the Port Trust premises, all the authorities disclaim liability and in case of loss, the consignee is left to fend for himself. Such a position is extremely unsatisfactory and between the Port Trust and the Customs Authorities, some procedure should be evolved whereby one or the other authority will hold itself responsible for the goods during the stages of Customs examination and appraisement.

8. Proposed addition of Section 64-A to the Bombay Port Trust Act:

Designed to empower the Port Trust Authorities to sell goods which have not been removed from the docks within

one month from the date of landing should not be proceeded with.

APPENDIX 5

Proposed Addition of Section 64-A to the Bombay Port Trust Act re: Sale of Goods

Letter No. 3218, dated 22nd October 1948, from Chamber to the Secretary, Bombay Port Trust, Bombay.

I am directed to refer to your letter No. A/GA-PT/5683 dated the 16th September, on the above subject, forwarding a copy of the proposed additional Section 64-A to the Bombay Port Trust Act. The provision is designed to arm the Port Trust authorities with power which would enable them to sell goods which have not been removed from the Docks under certain circumstances. My Committee have given careful thought to the proposal and while they are anxious that the Port Trust authorities should be assisted in their efforts to clear the docks of the present position of congestion they cannot help feeling that in the anxiety to meet the present conditions of emergency, steps or provisions which are likely to have far-reaching repercussions should not be rushed through.

The proposal is more or less being sought to be justified on the analogy of similar powers vested in the Railway administration under the Railway Act. My Committee submit that the analogy is not on all four. In the case of the Railways, they are themselves the carriers; they have the custody of the goods at the destination and are in a position to tender the same when demanded by the consignees; they are also responsible for loss, etc. while in transit as public carriers. The Port Trust is not in the same position; they do not carry the goods and even after the goods are landed, it is not within their exclusive power to arrange delivery of the same to the consignee as in-between many formalities connected with Customs, etc., have to be completed. Again, more often than not, at any rate under the present conditions of unloading and storage difficulties are being experienced in finding out the location of the goods within the Docks premises. Due weight has not been given to the above practical aspects and limitations in putting forward a suggestion that the Port Trust should as a matter of course have power to sell goods failing compliance with the demand to remove the same within a prescribed period.

It is relevant to mention in this connection that not all goods unloaded and landed at Bombay are meant for consumption or use in the city. Some goods come to this port for transhipment or movement to other centres. The time taken for

arranging for such transhipment or movement is to a large extent contingent upon various factors, such as the completion of the necessary import and Customs formalities, the availability of railway transport from the Docks to the ultimate station of destination, the nature of the goods, etc. If it is laid down by law that goods even when meant for up-country centres shall as a matter of course be cleared or removed within a specific period of a month or two, it is reasonable to suggest that the same can be fulfilled only if at the same time the Port Trust places itself in a position of being able to arrange for the necessary wagons and the transport facilities.

Similarly, there may be cases of goods over-landed, which would have to be subsequently sent back to the correct ports of destination. The period taken for completing such re-shipment would depend on a variety of factors.

For the foregoing reasons, my Committee are unable to agree to the proposal in question. They feel that the stress of temporary factors should not make the authorities suggest and bring about changes in the permanent provisions of Law in a manner affecting prejudicially the interests of the trade and the users. It is, therefore, hoped that the Port Trust authorities will be good enough to reconsider the matter and abandon the proposal in question.

APPENDIX 6

Introduction of a Pass System for Admission into the Docks

Letter No. 2077, dated 30th June 1948, from Chamber to the Secretary, Bombay Port Trust, Bombay.

I am directed to acknowledge receipt of your communication No. A/GEN-D/3177 dated 18-5-48 desiring the views of my Committee re: restriction on the entry of the public into the docks and the cost involved in the operation of the same. My Committee are aware of the frequent thefts and pilferages of goods lying in the docks and that the incidence of such criminal practices has largely increased in recent years. They are also aware of the special measures recommended by the Port Pilferage Committee with a view to put a stop to the activities of the criminal elements in the docks.

While my Committee welcome the enforcement of measures suggested by the Port Pilferage Committee to check the incidence of thefts and appreciate the anxiety of the Port Trust to devise ways and means for the protection of cargoes in the docks, they are of opinion that the introduction of a "pass system" for admission into the docks with a view to check the entry of undesirable persons would not achieve the

purpose. Such a system of controlling the entry of the public into the docks by the issue of passes and tokens was in existence during war-time and the public concerned had sufficient experience of the same. Limitation on entry into the docks might have been necessitated in war-time; but after sufficiently going through the pros and cons of the introduction of such a system at the present stage, my Committee feel that it is not necessary to resort to the war-time measure for achieving the present object in view.

On closer scrutiny of the proposal, it will be appreciated that it would be wrong in principle to limit the entry of persons into a public place, which is visited by a large number of the public interested in trade and commerce. Such control, my Committee believe, would cause harassment and avoidable inconveniences to the public concerned. As above mentioned, my Committee welcome the enforcement of various measures suggested by the Port Pilferage Committee to put a stop to the evil, viz. (1) increase in the strength of the personnel of the Bombay Port Trust Watchmen in the docks, (2) creation of extra posts of Inspectors and Asstt. Inspectors for supervisory control, (3) pecuniary rewards to Port Trust staffs for detection of thefts, (4) large lock fasts for the safe custody of broken packages, etc. They would in addition strongly suggest that the authorities should arrange for police guards in sufficient numbers to maintain vigilance over undesirable elements. They would further like to draw the attention of the authorities to the urgency of making efficient C.I.D. arrangements to catch the pilferers in their very act of committing thefts. They also suggest that such pilferers, caught red-handed, should be heavily penalised by the special courts functioning in the Port Area at the present time.

My Committee, therefore, urge that in the light of the above, the Port Trust will abandon the idea of bringing into operation the "pass system" proposed as above and on the other hand go ahead with steps to strengthen the Watch & Ward and C.I.D. arrangements to achieve the object in view.

APPENDIX 7

Complaints about Delay in the Issue of Short-landed Certificates

Letter No. 3289, dated 27th October 1948, from Chamber to the Secretary, Bombay Port Trust, Bombay.

The Committee of my Chamber have received complaints from trade interests about difficulties experienced by them on account of the delay in the Port Trust Authorities issuing certificates in regard to consignments which are short-landed.

Consignees, as you are aware, are entitled to a refund of the Customs duty paid on such part of the consignments which are subsequently found to be short-landed. Section 40 of the Sea Customs Act, however, provides that "no refund of charges once paid shall be made unless the claim in respect of such refund is preferred within three months from the date of the original payment." Thus, under the provisions of the law, the refund claim has to be submitted within three months and in order that such a claim can be validly submitted in respect of goods which are short-landed, a certificate from the Port Trust Authorities to that effect is necessary. It appears that lately the Port Trust Authorities take fairly long time in issuing such short-landed certificates; consequently the claim for refund gets time-barred.

The Port Trust Authorities naturally must be anxious to assist the trade in all such matters and, my Committee presume, will not wish the interests concerned to be penalised by being deprived of opportunities for realising their legitimate claims. Perhaps, the delay in the issue of certificates since recent times was caused due to the disorganisation brought about by the congestion in the Docks and the consequent difficulty in tracing consignments. Now that conditions have easened, the Port Trust Authorities should make the necessary arrangements to ensure that if within a reasonable period of two or three weeks, the consignments are not traced, short landed certificates should immediately be given, so as to afford ample time to the consignees to prefer their claims to the Customs Authorities and to recover the refund within the time-limit prescribed under the Sea Customs Act. It may incidentally be pointed out that many instances of claims, which have been time-barred in the above manner, have been brought to the notice of my Committee. As the provisions of the Sea Customs Act are mandatory, the Customs Authorities are disinclined to show any consideration to the claimants, even though the delay in the submission of the claims and the certificates was due to factors beyond the control of the claimants.

My Committee request that the Port Trust Authorities will be good enough to give this matter their early attention and take such practical steps as would obviate the grievances complained of.

APPENDIX 8

Levy of Demurrage Fees in respect of Detention of Cargoes as a result of the Orders of the Import or Export Trade Control Authorities

Letter No. 2721, dated 30th August 1948, from Chamber to the Secretary, Bombay Port Trust, Bombay.

The attention of my Committee has been drawn that the question of charging demurrage fees in respect of cargoes detained in the Docks as a result of the orders of the Import or Export Control Authorities is under consideration of your Board; particularly in the matter of concession of levy of demurrage fees at one-third the single rate from the date of expiry of "free days" for an indefinite period which is being allowed on production of a certificate from the Assistant Collector of Customs confirming that the period of detention was due to the "operation of control orders." It is also understood that it was the view of your Board that it was difficult to determine whether the certificate entitling the importer to the above concession was issued in respect to the imposition of fresh restrictions by the Control Authorities necessitating revalidation of licences already held or whether the same was issued to importers who might have imported goods in contravention of the licensing procedure. My Committee is given to understand that your Board wish to modify the present concession of one-third the single rate granted on production of certificates from the Assistant Collector of Customs as above stated and that they were of the opinion that the concession should be granted only in cases where the goods were detained solely as a result of the operation of control and not on account of any breach of the licensing rules on the part of the importers. My Committee presume that the position as stated above has been the result of an apprehension on the part of your Board that the certificates issued by the Assistant Collector of Customs confirming that the period of detention was due to the "operation of control orders" on the basis of which the concession of one-third the single rate was given were not strictly *bona fide* in respect of goods detained as a result of control orders and that they are also being issued to the importers whose goods are being detained as a result of breach of the licensing rules. My Committee have given due thought on the question of the *bona fides* of such certificates and they have verified from the interests concerned that such certificates were granted by the Customs Authorities only in cases where the delay in clearing the goods was caused as a result of the "operation of controls" and not due to any breach on the part of the importers. My Committee feel that in view of the above, apprehension in

regard to the *bona fides* of the above certificates has little foundation. They, therefore, urge that the above concession should be continued to be granted on the basis of certification of the Customs Authorities.

APPENDIX 9

Interview with the Chief & Financial Commissioners of Railways

Memorandum on the points for discussion with Mr. K. C. Bakhle and Mr. I. S. Puri, C.I.E., Chief Commissioner and Financial Commissioner of Railways, at the meeting with the Committee of the Chamber on Tuesday, the 21st September 1948.

Mr. K. C. Bakhle and Mr. I. S. Puri,

It gives me very great pleasure in extending to you a cordial welcome, on behalf of the Committee of the Chamber. In the past, we have had meetings with the Transport authorities but this is our first meeting after the attainment of independence. The Railways constitute an important national asset, in which, on the post-partition basis, over Rs. 690 crores of country's wealth is sunk, and are expected to play a vital role in social and economic life of the country. Now that the preoccupations with the phase of vast civil commotion and the consequent large-scale refugee movements are over, our Government will be in a position to devote greater attention to the task of evolving a comprehensive and integrated transport policy, best calculated to make the railways a real instrument of progress, subserving the larger economic interests of the country. We are specially happy to meet you under the altered conditions, and I am sure, an informal exchange of views on some of the important questions relating to Railway Policy and Administration, will result in clarifying several issues to mutual advantage.

Financial Position

As observed by the Hon. Dr. John Matthai, Minister for Railways and Transport, in his Budget speech, the task of framing budget estimates has been beset by several elements of uncertainty, rendering difficult, if not impossible, any attempt at making an accurate forecast of the probable trends with any reasonable degree of precision. The abnormal conditions largely account for the wide gap between the budget estimates and revised estimates, as disclosed in the figures relating to the Interim Budget, for a period of 7½ months, from the 15th August 1947 to 31st March 1948. Consequently,

there has been a drop of 8 crores in earnings, but the same has been partly counter-balanced by a fall in the working expenses to the extent of 5.45 crores. This has increased our estimated net loss from 2.7 crores to 5.2 crores, necessitating larger withdrawals from the Reserve Fund, reducing the same in March 1948 to the figure of 3.8 crores.

In regard to the Budget estimates for the year 1948-49, the department had to labour under a similar handicap, inasmuch as, they could not rely on the revised estimates of the broken period, as a basis for framing the estimates for a whole year. However, it is gratifying to note, as the Minister for Railways and Transport has stated with a characteristic note of subdued optimism, that the process of deterioration following the partition has been definitely arrested and the Indian Railways have turned the corner. We are further assured that there is no possibility of the recurrence of the conditions of serious civil disturbances, entailing vast refugee movements—nearly 3 million refugees being moved during a period of 2½ months—and we may confidently look forward to a restoration of normal conditions in the country. The optimistic note struck by the Minister for Transport has helped to dispel the doubts engendered by the Interim Budget and it is reassuring to find that the budget estimates for 1948-49 anticipate satisfactory financial working and a substantial surplus. Having taken into due consideration the probable trends in the economic conditions, as may be expected to affect the traffic in the coming year, the total traffic income is estimated at Rs. 190 crores. Making due allowance for reduction in the cost of passages, salaries and other non-recurring items like flood-damages, temporary works, non-availability of materials, etc., the estimate of ordinary working expenses has been placed at 147.15 crores. Adding to this 11.18 crores as appropriation to Depreciation Reserves, and 1.45 crores as payment to worked lines, the total working expenses amount to 159.78 crores. This leaves Rs. 30.22 crores by way of net traffic receipts, to which if we add 2.16 crores from net Miscellaneous receipts, the net railway revenues are estimated at 32.38 crores. After meeting the Interest charges of Rs. 22.53 crores, the net surplus will be Rs. 9.85 crores. These figures are based on the estimates contained in the Budget presented in February last. My Committee would like to know if the expectations then held regarding the earnings on the Railways are being realised. Perhaps, as a result of the possible economies in administrative expenditure as part of the general proposals now under consideration, the overall budgetary position may show some further improvement re-inforcing the case for relief by way of reduction to the users.

Contribution to General Revenues

My Committee, in the past on several occasions, have raised the question about the reconsideration of the basis of the contribution to the General Revenues. This history of the operation of the Railway Convention of 1924 clearly shows that the original object, viz. to enable the railways to carry on a continuous railway policy by conferring financial autonomy on the railways had been hardly realised. In fact, the actual operation has proved unduly liberal to the General Revenues, at the cost of the urgent demands of railways during war period and the long-term requirements and needs of the users of the railways. My Committee understand that the question of the contribution to the General Revenues will be examined by a Committee consisting of three members each from the Standing Finance Committee and the Railway Standing Finance Committee, under the Chairmanship of the Honourable the Speaker of the House. My Committee would like to know whether this Committee will determine the allocations for the year 1948-49 only or will examine the whole basis and working of the convention. They hope the whole question will be examined *de novo* and the findings will result in a just and proper readjustment of the rates of contribution in the light of the urgent requirements of the railways. My Committee would like to have some information regarding the progress made in regard to the consideration of this question.

Operating Expenses

While my Committee realise that due to increased traffic, the earnings of the different railways have gone up, and to that extent, proportionately expenditure must also increase, they cannot help expressing their anxiety in regard to the growing trend of disproportionate increase on the expenditure side, bearing no co-relation to the progress in earnings. According to the Budget estimates of 1948-49, the Assam, B.N., E.I. and O.T. Railways show losses of Rs. 3.58 crores, Rs. 2.18 crores, Rs. 3.76 crores and Rs. .48 crores respectively. In this connection, my Committee feel that the whole problem demands a thorough investigation and hope that the Indian Railways Inquiry Committee will give their special attention to the questions of the growth in the expenditure on staff, the increase in the wage bill, as well as the war-time expansion in various departments rendered superfluous on the end of hostilities, and a substantial rise in expenses on items like fuel, etc., and will succeed in suggesting ways and means of effecting considerable and permanent economies. There is yet another aspect, viz. the amalgamation and re-grouping of Railways. Since the State owns practically all the Railways

now, the problem of re-grouping is rendered quite feasible. It is quite obvious that a well worked-out scheme of re-grouping and amalgamation will result in avoiding duplication of administrative offices, passenger terminals, goods sheds and marshalling yards at all important terminii and will ultimately help in bringing about improved financial stability.

Depreciation Fund

In the Railway Budget for 1948-49 the contribution to the Depreciation Fund has been estimated at 11.18 crores being 1/60th of the estimated Capital at charge as on 31st March 1948. The opening balance in the Fund at the beginning of the current financial year was 90.48 crores; the withdrawals are estimated at Rs. 23-43 crores leaving a closing balance of Rs. 78.23 crores in the Fund. This, in the opinion of my Committee, is wholly inadequate to meet the requirements of replacement, etc. It may be noted that it was necessary to resort to a special procedure of charging war-time expenditure on replacements, etc. in part to Revenue so that the Fund may not be depleted seriously. Even then the basis of present appropriation, i.e. the flat rate of 1/60th of the Capital at charge introduced in 1933-36 (replacing the elaborate and complicated accounting system of 1924-25) is not co-related to the actual lives of different kinds of assets. This was purely a ratio originally adopted out of convenience, not based on any scientific investigation of the lives of the assets. This rough and ready ratio has not taken into consideration the much shorter lives of most of the important assets, viz. a majority of locomotives which have a life of 35 years, boilers 25 years, goods wagons 40 years, passenger coaches 30 years, etc. In view of the differences in the lives of the various assets a flat rate of 1/60th can hardly be accepted as scientific. My Committee are aware that in 1943 an enquiry was instituted into the lives of assets with a view to arrive at a fair basis of annual allocations but was later on abandoned due to pressure of war-time work. They regret that the enquiry has not been proceeded with even after the end of war. They are of the view that expediency should have no place in the system of depreciation accounting and the real object of assets being maintained in the highest state of efficiency, without too great a strain upon the revenue resources of the short period, should not be missed. In order to achieve this objective my Committee suggest that the problem should be re-examined and a scientific basis for allocation to the Depreciation Fund should be evolved.

Railway Rates and Fares

My Committee have on several occasions in the past emphasised the adverse effects of the whole policy governing the fares and the rates structure and called for a complete revision of the rates structure guided solely by the national interests of this country. They had also observed that Indian Railways have in the past so many years followed an individualistic rates policy to the detriment of the growth and development of our indigenous industries. Even after the railways had come under State management it was not till recently that the telescopic rates were available on continuous mileage even as an experimental measure.

Taking first the recent enhancement in passenger fares, my Committee feel that the abandoning of telescopic scales altogether and the effect of these revised scales of passenger fares in the different distance scales bear heavily on the travelling public and my Committee find it difficult to subscribe to the view expressed by the Hon. the Transport Minister that " the extra expense to the poor man for his essential journeys is almost insignificant ". My Committee are of the view that the recent enhancement as compared with the basic fares represent a very considerable increase indeed on most of the railways. The increase is particularly marked in the case of Inter and Third Classes which disclose a progressive increase with longer journeys. Similarly, the effect of the enhancement on the Second Class has been to render the increase steeper than that of the First. Without going into details, my Committee are of the opinion that the burden imposed on the passengers by the recent enhancements is very heavy and is not warranted by the actual position of Railway finances.

Regarding the revised system of railway rates which have come into effect from 1-1-1948, my Committee no doubt welcome the simplification of the multiplicity of the schedules and the introduction of a stronger telescopic bias to the rating system. It is hoped that this will be further extended. However, my Committee cannot but point out that there are still a good many defects in the present rates structure which have been already brought to the notice of the Railway administration. The Hon. the Transport Minister himself had admitted in replying to the debate on the Budget that the present classification of Railway Rates was a long-standing one and personally he considered it in many respects an unsatisfactory classification. When actually the Railways have turned the corner and a sizeable surplus is expected in the future, there is no justification whatsoever to burden the trade and industry with increased cost of transport by an overall enhancement in the rates. My Committee hope that the Railway Rates Tribunal, when it starts functioning, will be entrusted

with the problem of reviewing the entire question of the classification of goods under the existing rate structure.

Transport Difficulties and Wagon Shortage

We would now like to refer to the more pressing problems of immediate importance, viz. the transport difficulties arising out of the inability of the railway systems to cope up with the increased movement of goods and a similar increase in passenger traffic. We had occasion in the recent past to submit several representations detailing difficulties such as booking of goods remaining continually closed for long periods, restriction on parcel booking, and the consequent hardship, inconvenience and financial loss caused to trade, commerce and industry. We continue to receive a large number of complaints referring to one aspect or another of transport dislocation and the resultant accumulation of stocks at port and interior centres and the difficulty of internal movements. We do not propose to go into the details of these individual difficulties as the same are being referred from time to time to the Bombay Regional Advisory Committee for Railway Priorities as also to the other authorities concerned. They would like on this occasion to make a special reference to the larger issue of the overall transport shortage.

It was generally expected that with the end of the war, release of wagons engaged in war-time activities and particularly for military movements would improve the supply position and the movement difficulties experienced during war-time would come to an end. These expectations have not been realised and the situation is progressively deteriorating. They also regret to note that many of the corrupt practices do not seem to have abated notwithstanding all the efforts reported to have been made to tackle this aspect of the problem. The practice of unauthorised and surreptitious allotment of wagons for a price still seems to continue. My Committee are not mentioning this in a spirit of carping criticism. They will be failing in their duty if they do not candidly convey to the authorities the extreme feeling of dissatisfaction entertained by the public in regard to the present transport position.

The Honourable the Minister for Transport during the course of his Budget speech observed that the shortage of wagons was accentuated by factors such as (i) undue detention of wagons at destinations, (ii) disorganisation of traffic consequent upon the policy of de-control, and (iii) unregulated movement leading to cross movements. My Committee feel that the reasons given above cannot justify the accentuation of wagon shortage as experienced at present. The real problem is the need for increasing the overall supply

position of wagons and locomotives and the removal of other impeding factors such as the present attitude of labour and defective administration in respect of turn-round of wagons, etc. It is, however, gratifying to note that Government expect about 4,050 general service wagons manufactured in India to be delivered by the end of 1948. Besides, orders have been placed in Canada for oil-tank wagons and other classes of wagons. Out of this the minimum number expected to be delivered is put to at least 2,000 wagons, in the course of the year. It is also expected that 146 new locomotives will be delivered in the course of 1948. In view of this my Committee hope it will not be difficult for the transport authorities to devise ways and means of giving much needed transport facilities for the movement of goods and thereby relieve undue congestion at port and main interior centres. They also hope that the new arrangement for the Railway Priority assistance which has been brought into force from 24th June 1948, on the recommendations of the Regional Committee of Railway Priorities will help in minimising the above difficulties. There is also a general feeling that the system of Railway priority has not worked satisfactorily and there has been an insistent demand for scraping the same.

Equally urgent is the question relating to the phenomenon of overcrowding and congestion experienced in regard to passenger traffic. My Committee repeatedly sought to impress upon the Government in the past the necessity for providing reasonably decent facilities and amenities particularly to third class passengers who are the largest contributors to Railway revenues. There is the possible explanation that the Railway traffic has more than doubled as compared to 1938/39 while the passenger train capacity offered today is less by 14.5 per cent than in 1938-39. They are afraid a mere statistical explanation will not help in the solution of this most pressing problem and would urge efforts to expedite the supply of additional coaches and the provision of increased amenities to the travelling public. In this connection, they would like to know whether the Chief Commissioner of Railways who had gone abroad in connection with the supply of locomotives, wagons, etc., has succeeded in arranging the necessary imports and the period within which we can expect to receive the same. They would also like to be furnished with complete data regarding the possibility of putting new coaches on the lines.

There is one specific matter in respect of which my Committee would like to draw your attention. They are aware of the distinction in force in regard to the basis of fixing season ticket fares in the case of stations which are technically considered as suburban and stations other than

those of the above category. Under the above rationalised basis the season ticket fares for Lonavla, Khandala and Poona have undergone an increase, which is out of proportion to the usual charges recovered before the revised rates came into force. e.g. the monthly season ticket fare from Bombay to Poona, which was previously Rs. 125 has been raised to Rs. 450. In this connection, my Committee would like to point out that people were encouraged by Government to move out to centres of health resorts near-about the city like Lonavla, Khandala, Poona, etc., in order to relieve in some measure the congested condition of the City and the above stations provided an outlet for those who were in a position to avail of such facilities. The revision in fares as above has practically taken away the inducement. They had already represented the matter to the Board and they regret to note that the Board could not agree to the point raised by the Committee. They would like to submit that while rationalisation of charges on scientific basis may have its own justification, it should not be carried to such a point as to make the charges much more than the traffic could bear. My Committee are of the considered view that the basis now in force will have regressive effect on the use of the facility on the Railways for frequent travel between the above centres. It is also not unreasonable to suggest that it would not be in the long-term interest of the railways themselves to continue to deny some special facilities to passengers from such centres.

Assessing Loss or Damage to Consignments while under the care of Railways

Suggestions were made in the past to the B.B. & C.I. Railway administration regarding the desirability of instituting a system of survey by independent surveyors for assessing loss or damage to consignments of goods while under the charge of the railway administration. Such a system is in force over the G.I.P. Railway. It is also from the point of view of equity reasonable to suggest that when there is a dispute regarding the extent of the damage caused to consignments, the best method of assessing the damage is by an independent survey. The B.B. & C.I. Railway administration, however, seems to be disinclined to accept the procedure of survey on the ground that in the past when it was in vogue it had led to undesirable results. It may not be out of place to mention that on occasions of disputes about shortage in connection with transport by sea, damages are generally assessed by survey by independnt surveyors. The practice of settling commercial disputes by arbitration or survey has grown in recent times and has generally been found to achieve results, which more or less satisfied both the sides. All the

railways should have a uniform procedure in regard to this matter and my Committee suggest that the Railway Board will be good enough to provide that railway administration should agree for an independent survey in all cases of disputes, where such a survey is desired by the consignee.

Disposal of Claims by Railway Authorities

My Committee had occasion recently to address the Railway Board on the question of steps necessary for speedier disposals of claims. Growth in the amount of compensation claimed in respect of goods lost or damaged must be a matter of some concern to the railway administration. Whereas in the year 1938-39 claims paid amounted to only Rs. 4 lakhs, in the year 1945-46 the railways had to pay compensation to the extent of over Rs. 150 lakhs. Prevention of loss and of mis-despatch of consignments should receive greater attention. Particularly in these days of all-round shortages, monetary compensation by itself would in many cases perhaps be of little consolation. Incidentally, my Committee would suggest the desirability of having a standard Claim Form for submitting claims against railways. At present these claims are not submitted in a standardised manner and if a regular form is prescribed for the purpose, the work of examining and settling claims would be very much facilitated.

Summary of the replies given by the Railway Commissioners.

1. Financial Position:

From the final estimates of approximate figures of earning and expenditure available with the administration for the last four months of the current financial year, the expectations regarding railway earnings were being maintained. However, certain items of expenditure which it was assumed would be the obligations of the Government of Pakistan were now under dispute and, perhaps, the Government of India might be called upon to bear increased expenditure on those items. Notwithstanding this subsequent development, the Railway Administration hoped that the estimate presented at the time of the Railway Budget early in the year, of the year closing with a surplus of about 9 crores, would be reasonably realised.

2. Contribution to General Revenues:

This was a question involving an issue of policy final decision on which rested with the Legislature. The Railway Ministry, however, was alive to the need for readjustment of the present basis of allocations. The allocation for the 1948-49 budget had been decided by a Special Committee of the

Assembly. The views expressed by the Chamber could, no doubt, be represented on the floor of the House.

3. Operating Expenses:

The main factors which contributed to an increase in the operating expenses in the last few years were the increase in salaries and wages of railway servants and the increase in the cost of fuel. Every effort was being made to keep a close check and scrutiny on expenditure, but the process of reduction, if any, could only be gradual.

Referring to the suggestions about re-grouping and amalgamation, the same was being examined and it was likely that one or two railway administrations might be grouped in the near future. But re-grouping raised many issues of an administrative character and it might not immediately be feasible to extend the process to the major railway administrations. However, the problem would also receive full consideration at the hands of the Ministry.

4. Depreciation Fund:

The Railway Commissioners agreed with the views of the Committee that the present basis of allocation to the Depreciation Fund was unsatisfactory. The allocation was based on the average estimated life of the different items of the asset and determined on the basis of the original cost. As was well known, in common with the general all-round increase in the cost of items of machinery and equipment, the cost of railway equipment had also gone up considerably. Illustrating the position, the Commissioners pointed out that previously locomotives used to cost £60 per ton weight. The current cost of the same type of locomotives was about £260 per ton weight. The Depreciation Fund was started in 1924. The administration was withdrawing from the Fund very much more than was being put into it every year. During the war years the additional cost was charged to Revenue, but there was no surplus revenue now to which this could be charged. The procedure then adopted of debiting certain items of capital expenditure to revenue could not be continued now. It was hoped that the whole problem would be subjected to a scientific examination and that a basis of allocation for Depreciation sufficient to meet the requirements of the situation would soon be decided.

5. Railway Rates and Fares:

In the past the organizational set-up of the railways made it possible for individual railway administrations to charge rates of freight of their own choosing, subject, of

course, to certain overall limitations, for the same item of commodity. In fact, there were instances in which for a particular commodity there were as many as 14 rates over the different railways. In the altered context of affairs a great deal of uniformity had been achieved. The Railway Board were endeavouring to simplify the classification of goods for rate purposes and the latest classification which was expected to come into force from next month was an effort in that direction. No doubt, when the Railway Rates Tribunal started functioning, a particular rate against which there were reasons to complain, could be examined in detail, but even if. in the intervening period, any defects were observed or any suggestions were made to the Railway Administration, the same would be immediately attended to. Increases in the rates and fares were rendered necessary with a view to bring about greater equilibrium in the budgetary position of the railways as a whole. It was, therefore, quite unlikely that the railways would be in a position to effect any reduction in rates and fares as long as there was no definite improvement in the overall financial position.

Referring to the complaint about the increase in the Season Ticket fares, the Commissioners explained that the previous basis of charging Season Ticket was found to be uneconomic and an attempt was therefore made to rationalise the whole basis. The higher incidence of charges for Season Tickets to centres like Lonavla and Poona was due to the fact that strictly those centres could not be treated as suburbs and as such, would not be entitled to the special concessional rates allowed for suburban traffic.

6. Transport difficulties and wagon shortage :

The Chief Commissioner drew the attention of the Committee to the overall increase in the traffic carried by the Railways in recent times without any corresponding increase in the capacity of the railways to handle such traffic. The limitation of capacity necessitated a system of priority. In the pre-war period, traffic moved more or less by well-defined routes. There were, at periodical intervals, increases in movements which were. more or less, seasonal and could be dealt with on that basis. But in recent times many changes had taken place. The bulk of the traffic in coal in the pre-war period used to move by sea-route. The railways had been called upon to handle this traffic in recent years. The partition of the country had raised new problems. The traffic which moved through the Port of Karachi has now to move through the Port of Bombay, and, consequently, the pressure on the railways catering for this section had increased. Again, some of the traffic had to cross through Pakistan territory

as in the case of traffic to Assam. Against all these developments the inherent capacity of the railways in the sphere of locomotives, wagons, marshalling yards, etc. had remained stationary except for some war-time make-shift additions. Under the Company-managed system, the independent railway units were accustomed to use different types of locomotives which were not easily inter-changeable. This necessarily caused difficulties in regard to availability of spare parts as, for some of the types in use, spares were not easily available. Then again, many locomotives were over-age; as many as 680 locomotives were over 40 years of age and 1,640 over 35 years of age. The engine miles achieved per engine day in use was in many instances roughly 75 miles against the best average figure of 120 miles.

The Chief Commissioner also furnished the Committee with figures to justify the claim that the railways were loading more wagons per day, loading more goods in recent times and carrying traffic to longer distances. In 1944-45, viz. the peak war year, the total monthly average wagons loaded in the Broad Guage was 2,84,764 while for 1947-48 the corresponding figure was 2,60,553; in July 1948 the wagons loaded rose to 2,86,164. The figures relating to metre guage also registered a similar improvement. In 1938 in the broad guage the average ton miles were 208, in 1947-48 it was 237. The average loading figure in the broad guage in the past was 11 tons; it had risen to 14.8 tons. There was similar increase in the loading in metre guage from 5.6 tons, to 7.7 tons. Illustrating the position about increased demand made on railways for carrying of foodstuffs, the Chief Commissioner mentioned that in December 1947, the railways carried 31,000 wagons of foodstuffs. The demand under this head gradually rose to 36,000 in January, 41,000 in February and as much as 45,000 in July.

In addition, the railways were also called upon to handle a good deal of emergency movements caused by the developments, both in Kashmir and Hyderabad.

The Chief Commissioner then referred to the efforts that were being made to increase the resources of the Indian railways in the matter of locomotives and wagons. In this connection, he drew the attention of the Committee to the detailed figures which were recently released at a Press Conference. Orders had been placed for 963 locomotives which were expected to be available for use before 1950. These locomotives were of a new design suitable for Indian conditions and were equipped with inter-changeable boilers. Plan for undertaking manufacture of locomotives had also made progress. Orders for the necessary machinery had already been placed. It was originally intended that the factory should be located at Kanchrapara, but a new site had to be selected for the purpose.

The factory will now be located near Asansol. By January 1950, the factory was expected to start work, and although the first locomotive might come a little later, the spares and parts would be manufactured within the country itself.

Dealing with the question of improvement in the passenger traffic facilities, the Chief Commissioner referred to the efforts for putting up 350 steel coaches of interim type build in Calcutta and Bangalore which would be available for the ordinary class traffic from March 1949. These coaches were of the same width as the coaches now running on the railways and would be provided with fans, drinking water, etc.

Referring to the complaint about the persistence of backhand deals and corruption, the Chief Commissioner submitted that while the railways were not complacent about the problem, final solution of the same depended largely on the development of greater civic consciousness by the people of the country as a whole. He expressed the hope that the industrial and commercial community would assist the railways in eliminating corruption by co-operating with the administration and by refraining to attempt to derive any individual advantage by offering unauthorised attractions to the railway staff.

7. Assessing loss or damage to consignments while under the care of railways and claim form:

The chief Commissioner promised to take up the matter with the B.B. & C.I. Railway Administration with a view to finding out the difficulties of the Railway in adopting the procedure.

The Railways were disposing of more claims lately, but the number had gone up by five times. It was, however, encouraging to note that the incidence of claims was decreasing. He promised to examine the feasibility of the suggestion for introducing a standard claim form.

During the course of the supplementary discussion the need for providing refrigerated car facilities for transport of perishables was stressed. The Railway Commissioners observed that the preliminary enquiries in that direction had disclosed that the trade in the commodities concerned was not organized enough to take advantage on a regular basis of facilities in that direction. When it was felt that sufficient traffic would be forthcoming for movement in refrigerated cars, necessary facilities would, no doubt, be provided.

In reply to a suggestion that Railway Workshops should work more than one shift with a view to step up production, the Commissioners pointed out that experience of the results in night-shift working was not satisfactory.

The meeting then terminated after the President had again thanked the Railway Commissioners for the detailed nature of their replies.

APPENDIX 10

Proposal to introduce two Classes in the Suburban Services

Letter No. 3510, dated 17th November 1948, from Chamber to the Representative of the Chamber on B.B. & C.I. Railway Local Advisory Committee.

At the last meeting of the Committee, arising out of your letter referring to the proposal to confine accommodation in the suburban trains to two classes, it was decided that the attention of the Railway Authorities should be drawn to the question of suburban season ticket holders travelling with certain types of commodities in Upper class compartments. The suburban trains, as you know, carry a regular traffic of milkmen with supplies of milk coming to the City from the suburbs. There is also a daily traffic in fish. It has been pointed out to my Committee that in order to take advantage of the larger luggage allowance available for the Upper class season tickets, a number of milkmen take Upper class tickets and on occasions travel in such classes with their milk cans. This, besides limiting the space available in the Upper class, also causes considerable inconvenience to the passengers in those classes. The Railway authorities have introduced in the suburban trains the system of special carriages for milk and fish. Efforts must be made to ensure that the passengers carrying either milk or fish are allowed to travel only in such compartments and even if they hold Upper class tickets, they should not normally be entitled to travel in the Upper class if they carry with them the goods in question. Such a restriction is necessary not only in the interests of providing to the Upper class passengers the minimum conveniences and facilities to which they are entitled but also to prevent such Upper class compartments from being made unhealthy and unclean by the carriage of such perishable items.

When this matter comes up for discussion before the Advisory Committee or when you convey your views on the proposal of limiting classes to the General Manager, you will be good enough to refer to this aspect also.

While on this question, I would also like to have information as to the rates proposed for the two classes—Upper and Ordinary—under the revised arrangements.

APPENDIX 11

Issue of Railway Receipts against Booking of Goods

Letter No. 2318, dated 21st July 1948, from Chamber to the Chief Traffic Manager, B.B. & C.I. Railway.

The attention of my Committee has been drawn to the practice of issuing Railway Receipts against booking of goods some days after the goods are actually booked. It has been represented to my Committee that at Carnac Bridge Booking Depot Railway Receipts are not issued simultaneously on the delivery of the goods at the Depot but are issued some days after—in some cases after 3 to 4 days and sometimes even after 8 to 10 days. As a result of the delay in the issues of the R/Rs, consignors are sometimes put to financial losses because of thefts of their goods between the time of booking of goods and the time of the issue of the R/Rs.

An instance of such loss has been reported to my Committee by M/s. Amritlal & Co. Ltd., whose 5 drums of Aniline Dyes were stolen from the Railway Yard, Carnac Bridge, between the period of booking of goods and the issue of the relevant R/Rs. Since the consignor in such cases is having nothing in hand to prove that the goods were actually accepted for booking, the Railway would naturally disown responsibility for the theft of goods, against which no R/Rs were issued.

My Committee have considered the matter and feel that either the practice of late issue of R/Rs should cease, or, in the alternative, at least *kutcha* receipts should be immediately issued to the consignor on the booking being accepted. My Committee urge that the above difficulty of the consignor will be given due consideration and necessary instructions issued to the Goods Superintendent to discontinue the practice above referred to.

Letter No. G/General/1584/48, dated 6th October 1948, from the Chief Traffic Manager, B.B. & C.I. Railway, to Chamber.

The Goods Superintendent, Carnac Bridge, informs me that there were instances in the past, in which goods were accepted for booking but on subsequent notification of restrictions on booking, their loading and despatch had to be stopped.

Now, however, it has been decided that the goods accepted prior to notification of restrictions affecting their booking, should be booked and cleared irrespective of the restriction. There will, therefore, not be in future any such inconvenience to the trading public.

APPENDIX 12

Priority for Movement of Imported Goods

Letter No. 1365, dated 28th April 1948, from Chamber to the Regional Controller of Railway Priorities.

It has been represented to my Committee that as a result of definite instructions issued by Higher authorities, imported goods received in the Docks are given special priority for movement in preference to corresponding goods manufactured in this country and lying at factory ends. Perhaps preferential treatment for the former was with a view to secure that imported goods move on swiftly and do not add to the congestion in the sheds in the Docks. While my Committee appreciate that goods must be moved from the Dock premises with as little delay as possible in order to provide space for further incoming consignments, they must at the same time point out that, in the matter of transport facilities, imported goods should not be placed in any position of advantage over corresponding goods manufactured in the country. On the other hand, it would be more in the fitness of things in the altered context of affairs that in all such matters Indian-manufactured goods receive a measure of preferential treatment. My Committee would emphasize that, in the matter of transport, supplies manufactured in India awaiting movement facilities from factory ends to consuming centres should receive the same treatment in priority as is being afforded to imported supplies received at the Docks.

As an instance in point, it has been pointed out to my Committee that imported supplies of Bicycles get quicker transport facilities in preference to supplies of Bicycles manufactured in the country awaiting movement from factory ends. You will readily agree that such a differential treatment naturally gives a justifiable cause to the Indian industry for complaint.

You will be good enough to look into this matter and take such steps as would result in Indian-manufactured goods being, under circumstances above explained, extended the same rating of priority in respect of transport facilities.

Letter No. P.G. 340, dated 10th May 1948, from the Regional Controller of Railway Priorities to Chamber.

It is pointed out that imported cycles are not given preference as such, but if they do find a place in the quota for Dock traffic, they take the same priority class as allotted to that quota.

I have, I remember, quite recently assisted movements of consignments of Hind Cycles.

APPENDIX 13

Increase in the Overall Limits of Laden Weights allowable for purposes of the Motor Vehicles Act

Letter No. 1418, dated 5th May 1948, from Chamber to Public Work Department, Government of Bombay.

I am directed to draw the attention of Government to the desirability of an increase in the overall limits of laden weight allowable for purposes of the Motor Vehicles Act. The limit as prescribed by the Government of Bombay under the procedure adopted by them for determining such limits for operation in the Bombay Province is that vehicles exceeding a laden weight of 14,500 lb. are not allowed to run outside the Municipal areas of Bombay, Poona and Ahmedabad, which means that a vehicle which was permitted a laden weight of 18,000 lb. in the Bombay City had to reduce its weight by 3,500 lb. as soon as it left the Municipal area. It will be thus observed that for purposes of operation outside Municipal limits considerable reduction in laden weight capacity has to be suffered by the transport carriers to the great detriment of the total carrying capacity of transport in the Province. The above limitation further acts as a great hardship on private carriers used exclusively for the transport of goods belonging to the owners, i.e. merchants and commercial houses.

My Committee have examined the problem of the limits of laden weight allowable for purposes of the Motor Vehicles Act and find that there is scope for relaxation in the determination of such limits having regard to the present acute transport position prevailing particularly in the Province. The Motor Vehicles Act as such does not require any Provincial Government to set a limit. The limits of laden weight capacity operating in the U.P. and the Punjab is nearly 18,000 lb., which is considerably in excess of that allowed by the Government of Bombay. Under the Act the permissible laden weight for any vehicle should not exceed the aggregate total of the maximum loads prescribed for the tyres fitted to the vehicle. Thus a vehicle with six tyres of the size of 32″×6″ is allowed under the Act a laden weight of 15,900 lb. This weight would be for general application in the Indian Provinces. The Government of Bombay, however, with a view to protect road surfaces, under Rule 27(2), have evolved a special procedure of determining the laden weights, which had the result of diminishing the permissible weight in propor-

tion to the length of the body. This extra caution on the part of Government has been responsible for reducing the laden weight capacity generally by 2,000 lb. My Committee are of the opinion that if the Special Rule 27(2) was deleted, the carrying capacity of vehicles would automatically increase.

There is another Rule No. 204 in the Motor Vehicles Act which has also set back the carrying capacity of vehicles. Under it, vehicles exceeding 26 ft. in length are not ordinarily permitted to draw trailers. In view of the difficult transport position obtaining today, this Rule may also be examined and revised.

My Committee, in the light of the above, urge Government to review, consistent with considerations of public safety, the prescribed limits of laden weight allowable under the Act and Rules thereunder and would also urge for the earnest consideration of Government the following suggestions :

(1) Private carriers used exclusively for the transport of goods belonging to merchants and commercial houses and not plying for hire should be allowed a laden weight 50% in excess of that at present allowed under the Rules consistent with public safety. Such a provision would greatly operate in the amelioration of the hard conditions, which private commercial transport has to face. Government are well aware of the difficulties of trade, commerce and industry, in relation to movement of goods and it is but fair that Government might with advantage relax the laden weight limits in case of private carriers as suggested above.

(2) Rule 27(2) of the Bombay Motor Vehicles Rules, as discussed above, greatly diminishes the carrying capacity of vehicles in general as a result of special procedure adopted in the determination of such limits. The procedure of taking into consideration the length of the vehicles in fixing the laden weight capacity is not being followed by other Provinces, where generally the aggregate total of the maximum loads prescribed for the tyres fixed to vehicles is being allowed. If Rule 27(2) was removed or suitably amended, there would automatically be an increase in the permissible laden weight for vehicles plying in the Province.

It is hoped that the above suggestions of my Committee will receive earnest consideration of Government and immediate steps will be taken to easen the present situation existing in regard to transport in the Province.

Letter No. 4662|4|25672-E, dated 11-10-1948, from Government of Bombay to Chamber.

With reference to your letter No. 1418, dated the 5th May 1948, addressed to the Secretary to the Government of Bombay, Public Works Department, on the subject noted above, I am directed to state that Government has carefully considered the proposals made by the Committee of the Indian Merchants' Chamber regarding the increase in the allowable Registered Laden Weights and overall length imposed on the vehicles, but regrets that they cannot be accepted for the following reasons :

2. The existing limit of 14,500 lb. on roads outside the municipal limits of Bombay, Ahmedabad and Poona has been arrived at by Government after the possibility of an increase beyond that limit was fully explored by the Executive Engineers. The roads in this Province cannot be compared with the roads in the Punjab and the United Provinces. The road surface in this Province is uneven and not very strong and the roads are interspersed with a large number of weak culverts erected for the drainage of monsoon water. Government, therefore, had to restrict the Laden Weight to 14,500 lb. in the interest of the safety of the roads and the vehicular goods traffic.

3. In regard to the proposal of your committee that rule 27(2) of the Bombay Motor Vehicles Rules may be deleted and the Registered Laden Weights of each vehicle decided *de novo* on the basis of the capacity of the types as laid down in the Seventh Schedule to the Motor Vehicles Act, 1939, I am to state that your presumption that to meet the requirements of the said Act, it was enough if the permissible Laden Weight does not exceed the aggregate total of the maximum loads prescribed for the types fitted to the vehicle, is not correct. In this connection, I am to invite your attention to the provisions of section 37(2) of the Motor Vehicles Act on the basis of which the existing rule 27(2) was specially framed by Government. In arriving at the laden weight to be fixed for any vehicle it is necessary to ensure in the interest of safety to roads and vehicles and to avoid the danger of accidents that Registered Laden Weights should be such that when the permissible payload is evenly distributed over the vehicle, it should not cause any single tyre to be subjected to a weight greater than that prescribed as its permissible load in the Seventh Schedule. The Government of Bombay, therefore, evolved a special formula, according to which by means of fixing the factor of maximum weight that could be carried on the rear axle in accordance with the size and number of tyres as calculated from the Seventh Schedule, a

registered laden weight resulted which ensured that, with the payload evenly distributed, the resultant weight distribution between the front and rear axles would be such as not to overload either axle and thus not to exceed the permissible tyre capacity according to the Seventh Schedule. It is hoped that your Committee will appreciate the formula as it ensures safety to the vehicle and roads and avoids the danger of accident, which would be imminent if the Registered Laden Weights were to be fixed merely on the basis of the number and size of the tyres used.

4. With regard to the suggestion of your Committee to delete rule 204 of the Motor Vehicles Rules, I am to point out that the restriction on attachment of trailers to vehicles exceeding 26 feet in length was removed during the war in order to provide increased transport facilities, but as the removal of the restriction had increased the risk of accidents owing to the inadequate width of the roads, the rule was re-instated as soon as the war was over.

APPENDIX 14

Radio Telephone Service between India and East Africa

Letter No. 728, dated 11th March 1948, from Chamber to the Ministry of Communications, Government of India.

I am directed to refer to the Radio Telephone service established between India and East Africa since September 1947. My Committee have received representations in respect of this service to the effect that although technically speaking the service is operating between this country and East Africa, the route through which it is functioning gives rise to practical difficulties under which the primary object of the service is frustrated. The service, my Committee are given to understand, is operating *via* Great Britain which necessitates that the telephone call from Bombay is first connected to London and subsequently to places in Kenya, Uganda, Tanganiyka, etc. Experience has shown that such telephone connections are difficult to obtain with Africa. In some cases, a number of days elapse before such a connection can be secured. It is, therefore, felt that on practical considerations a direct link between India and East Africa should be established in the interests of the users of the service. Government may not be unaware that close business connections exist between India and Uganda and if an effective direct radio telephone service between the two countries is established a great facility would be offered to the commercial community concerned both in India and in East Africa.

II.—FINANCE, TARIFF AND TAXATION

APPENDIX 15

Budget of the Government of India for the year 1948-49

Telegram dated 2nd March 1948, from Chamber to the Hon'ble Mr. R. K. Shanmukham Chetty, Finance Minister, Government of India.

The message of restrained optimism about Budgetary position and about the outlook for the future of the finances of the country permeating the Speech of the Finance Minister while presenting the Budget of the Union Government will be received with feelings of relief. It is also a matter for some satisfaction that deficit for the year that is about to end is considerably less than the estimate previously made. Prospective deficit for the year 1948-49 of Rs. 26.85 crores need not cause much concern, particularly when considered in the background of the nature of some of the special items of expenditure which have contributed to that position. Thus, in the Budget Year there is provision for a total expenditure of Rs. 29.95 crores on Refugees' Relief and on payment of Subsidies and Bonus on foodgrains. These are not strictly items of expenditure of a recurring character and the hope is justified that in the years to follow the finances of the Central Exchequer will be relieved of the burden caused by such extraordinary items.

Committee, Indian Merchants' Chamber, will now pass on to examination of the changes in taxation. They must at the outset convey their appreciation of the Finance Minister's courage to act on his conviction that the unorthodox changes in the sphere of direct taxation introduced last year by his predecessor were misguided and had restricted expansion and development of industries of the country. Committee's sense of gratefulness is tempered by a feeling of disappointment that the Finance Minister has not undone the mischief completely by reverting in full to the previous position. However, they welcome the reduction in the Business Profits Tax and restoration of the limit at which Super-tax would be leviable at maximum rate. They venture to express the hope that it would be possible for the Finance Minister to complete the relief in regard to this particular group of taxes by abolishing the tax on Capital Gains and also by removing Business Profits Tax altogether with effect from 1949-50. Committee also appreciate the anxiety of the Finance Minister to return more of the profits into investments of Companies by offering an inducement of a reduction of one anna in the rate of

Super-tax on Companies so far as undistributed profits are concerned. They presume that the provision in Section 23A governing compulsory distribution would be suspended so that the relief could be equally availed of and the desire of the Finance Minister for an increased proportion of the dividends being ploughed back realized in so far as private Limited Companies also are concerned. Concession in regard to Income-tax on small companies will be a source of welcome relief. They are also glad that the suggestions which they have often in the past made for expenditure in payment of Municipal Taxes on property and donations to charity being exempted from taxation have been accepted.

Some of the proposals of the Finance Minister in the sphere of indirect taxation are, however, open to objection. While the conversion of export duty on cloth to *ad valorem* basis and the abolition of Excise Duty on betel nuts carry out changes for which there was a strong demand, the additional Import and Excise Duties on some of the necessaries of life will provoke opposition. When the cost of living is already high and when there is a continuous clamour for reliefs to offset the effect of same burdens on essentials of daily life like Tea, Coffee, Vegetable products and Matches will cause unfavourable reactions in the minds of the general mass of the population. The increase by 50 per cent of the Excise Duty on Vegetable products will really cause hardship as this article is an essential item in the daily dietary of the poorer sections of the community. By far the most objectionable part of the proposals for increased taxation is that relating to imposition of a duty at disproportionately high rates of Rs. 80 per ton on Oilseeds and Rs. 200 per ton on Vegetable Oil. Exaggerated reports about the existence of high margin between the prices prevailing here and those obtained in the countries of export have possibly led to the imposition of these duties at the proposed heavy rates. Government obviously seem to have under-estimated the possibility of the Duty defeating its purpose by the foreign demand abating on account of the pressure on prices for Indian supplies caused by the burden of the Duty. Export demand is an important factor regulating the marketability at economic rates of these important items of our agricultural production and duties at the proposed rates will adversely affect the interests of the cultivators. In the context of our plans and proposals for an organized drive for correcting the balance of trade position, all duties on exports which will ultimately lead to a reduction in our total exports have to be avoided and in any case the rates proposed for the levy on Oilseeds and Vegetable Oils require to be reviewed and substantially reduced. Committee also suggest that the Duty on Oilseeds, Oil and Manga-

nese at such rates as may ultimately be decided upon should apply only to fresh transactions entered after the date of the Budget announcement so as to obviate complications likely to arise with foreign buyers. The proposal to make permanent the Surcharge on Trunk Telephone rates by amalgamating it to the basic rate and also to increase it from 40 to 60 per cent is another burden imposed on trade and commerce. The Surcharges were intended as an emergency war-time levy. Committee earnestly request that the increase should not be given effect and that steps be taken to restore at an early date the charges to the basic rates.

Committee request that the Finance Minister will be pleased to review his Proposals in the light of the comments and suggestions made by them.

APPENDIX 16

Railway Budget for the Year 1948-49

Letter No. 561, dated 25th February 1948, from Chamber to Hon'ble Dr. John Matthai, Minister for Transport.

I am desired by the Committee of the Indian Merchants' Chamber to bring to your kind attention the fact that the normal procedure of supplying public bodies like this Chamber with copies of the speech of the Minister while submitting the Railway Budget, together with the connected papers, was not adhered to this year. A communication was received from the Secretary, General Manager's Office, G.I.P. Railway, mentioning that copies of the papers would be delivered to us on the 18th instant simultaneously with their release at Delhi subject to such copies being received in Bombay in time. Unfortunately, in reply to enquiries we were subsequently informed that the copies had not been received in Bombay. After two days, i.e. on the 20th February, a copy of the explanatory memorandum alone was delivered to us. My Committee wish to request you to kindly make the necessary arrangements to ensure that in future the Budget papers are, as in the past, made available to public bodies simultaneously on presentation to the Central Legislature. You will have no difficulty in appreciating that such a procedure affords to bodies like the Chamber full and reasonable opportunities of examining the papers and placing before Government their views and suggestions, if any, arising out of the Budget proposals. On the present occasion, the Committee of the Chamber had to rely on the report of the speech as it appeared in the press. It is hoped that you will be good enough to look into the circumstances which necessitated a departure from the normal practice on the present occasion and see that so far as the future is concerned, chances of such delays are

obviated. We would also appreciate the courtesy of being supplied, even at this stage, with a copy containing the full text of your speech.

The occasion of the presentation of the Annual Budget is taken advantage of by the Committee of the Chamber to place before the Transport Ministry their views and suggestions on particular aspects of the transport problem as also their reactions on the specific proposals or features contained in the budget announcements. This year, they have not found it necessary to communicate a special statement of their views on the Budget, firstly because your detailed speech indicated an awareness of the main problems now confronting the country in the organisation and regulation of the transport system and your anxiety to tackle the same with earnestness and in a systematic manner. They wish you success in your efforts and venture to hope that the deterioration in the standard and utility of the railway services during the last few years would soon become a matter of the past and that the new enthusiasm and energy of the personnel of the railway services to which you refer, will usher in a new era of railway management, under which the railway system could truly and really claim to be a public utility service subserving the larger economic interests of the country. While they are still being inundated with complaints about difficulties experienced in the matter of lack of adequate facilities and the overall transport shortage, they have no desire on this occasion to make any detailed reference to the same, as the message of subdued optimism permeating your speech makes them feel that, however discouraging the conditions as they prevail at the moment, the future outlook is not without hope. They do hope that the period of transition will be short and that the new transport and travel conditions which you envisage will become a matter of reality before long. They would, however, like to make one or two comments on matters arising out of your Budget speech.

Dealing with the fact of decontrol and the consequent freer movement facilities for foodgrains you have pointed out that the same has led to an uneconomic use of railway transport and in some cases to wasteful transport by goods being first despatched to a particular destination and immediately thereafter re-booked and sent on to another destination which was much nearer the original point of consignment. In order to prevent experiences of that character, it is mentioned in your speech that Government might probably have "to consider regulation by fixation of quotas and regulation by zonal control". My Committee realise the need for preventing all wastage caused by overlapping movements of the kind under reference. They would, at the same time, like to emphasise

that regulation and control and zonal distribution of traffic are not measures which will yield results in the desired direction. To the country in its present temper control in any form is almost obnoxious. The controls in whatever spheres, when they existed, were of doubtful utility and at all events, did not yield the expected results. A policy of gradual decontrol has now been more or less accepted as inevitable and it is the considered view of my Committee that in the matter of railway transport also, Government should work up to the consummation of a system of transport free from fetters and regulations of the kind which were in existence during the period of the war. In their opinion, regulation by quota and zonal restrictions is not only not necessary but is likely to introduce more complications and evils without in any way easening the position. They also understand that the experience of the working of the zonal system in the past few years, to the extent that the system was tried, was far from satisfactory. The Transport Authorities should rely on a system of scientific rating and on the good sense of the users to ensure that there is no duplication of movement. Such duplication, if any, can only be very seldom as after all, every wasteful movement involves an addition in cost and the enlightened self-interest of the users is sure to bring about the free play of conditions under which goods are moved only to points where they are required. Their experience of the working of the control, including control on transport, has confirmed their conviction that these matters should be left to the free play of normal factors. My Committee, therefore, earnestly submit that Government will be good enough to abandon the proposal for the introduction of a system of regulation of transport by zonal quotas. Incidentally they would also like to suggest that Government should at the earliest opportunity review the position in regard to the working of the system of priorities and with the expected improvement in the transport resources and facilities, the need for regulation of transport based on a schedule of priorities should also disappear.

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They would also like to refer to one other point on which they have received frequent complaints, viz. to the persistence almost in an unchecked form of corruption in the allotment of wagons and movements. They are aware that this matter has been engaging the attention of the authorities at the top, but from the trend of the reports, the results achieved do not seem to be appreciable. It is a common experience with the users that there continues to be almost a regular system of unauthorised and surreptitious price for allotment of wagons. When wagons could not be had in the normal course by application to the authorities, some whisper here or

there still continues to do the trick and wagons which could not be normally had, are, in the process, made available. My Committee feel that a more systematic examination of movements and a day-to-day check on the periods during which wagons are idle as also a system of check and counter-check on wagons reported to be "sick" might reveal many pockets. Reports are current that wagons are kept deliberately inactive for the benefit of the favoured constituents. My Committee suggest that a high level inspectorial organisation may be set up to clean the stables of the subordinate administration of this venality. The general discussion in the Constituent Assembly on the Railway Budget also indicated the strong feelings entertained by members that corruption continued almost in an unabated form, notwithstanding all the efforts made recently to tackle this aspect of the Railways' administrative problem.

My Committee are glad to note that the question of appointing authoritative Regional Committees representing business opinion to assist the controllers in regulating priorities, is being considered. While they reiterate that the system of priority should be terminated as early as possible, they share the view that so long as the system continues some such consultative machinery is necessary and essential. It would be very helpful if the Committee, when appointed, are vested with powers to investigate complaints from the users in regard to difficulties experienced in the matter of bookings or in the matter of provision of wagon facilities. The Committee should also be drawn from a high level so as to inspire a general measure of confidence in the users and should, in fact, function as a sort of an unofficial appellate authority to whom the public could go in case their complaints are not redressed by the administration.

My Committee hope that you will be good enough to give your sympathetic consideration to the points of view urged herein.

APPENDIX 17

Budget of the Government of Bombay for the year 1948-49

Statement issued by the Committee of the Chamber on 2nd March 1948.

The Committee of the Indian Merchants' Chamber have given their careful consideration to the speech of the Hon'ble Mr. V. L. Mehta, Finance Minister of the Government of Bombay, while presenting the Budget estimates of the province for the year 1948-49 in the Legislative Assembly. They

would, at the outset, like to assure the Finance Minister and through him the Government of Bombay that they are in agreement with the programme of social uplift outlined in the Budget proposals. The social inequities of the past have necessarily to be removed and the lot of the common man improved so that the main purpose of building up a community of citizens free from the deficiencies of the past can be achieved within a definite period of time. The Committee, therefore, wish God-speed to the Finance Minister and the Provincial Government in their efforts for the furtherance of the above objectives.

After a series of years of surplus budgets, the impact of the Prohibition Policy and of the changes consequent upon increased expenditure on nation-building activities has in the second year of the new regime disclosed a deficit in the budgetary position. But as the main increases in expenditure are essentially in the direction of activities which in fullness of time will yield a fair measure of dividend by improving the lot of the common man, the slight deterioration in the budgetary position is not a matter which need cause any concern. Our expenditure on Education has increased from Rs. 1.8 crores in 1937-38 to nearly Rs. 8 crores in 1948-49, on Rural Development from Rs. 30 lakhs in 1937-38 to Rs. 3.30 crores, in 1948-49, on Medical Relief from Rs. 45 lakhs to Rs. 1.60 crores, on Public Health from Rs. 30 lakhs to Rs. 1.50 crores, and on minor Irrigation Projects from Rs. 10 lakhs to Rs. 90 lakhs. The programme of expenditure on Post-War Reconstruction schemes also reflects the same emphasis on nation-building activities and allotments made for Irrigation Works, Improvement on Agriculture, Co-operative Movement and Cottage Industries, Improvement of Water Supply, Labour Housing and Welfare measures, measures for ameliorating the condition of Backward Classes, etc. are all on a scale which can be expected to yield definite results.

The revenue for the year is estimated at Rs. 41 crores 38 lakhs, and the expenditure at Rs. 44 crores 2 lakhs, leaving a prospective deficit, of Rs. 2 crores 63 lakhs. To meet the gap, the Finance Minister has proposed additional taxation estimated to yield Rs. 1 crore and the balance is to be met by appropriation from the Post-War Reconstruction Fund. Before making a reference to the taxation proposals, the Committee would like to examine the nature of the deficit. The Post-War Reconstruction programme for the year 1948-49 has budgetted for a total expenditure charged to revenue in that year of Rs. 11.4 crores. There are certain items of expenditure in this which are of a definitely productive nature and as such need not have been treated entirely as expenditure of a revenue character. Illustrating the point, it may be observed that

Government have provided for an expenditure of Rs. 2.42 crores for civil works, and Rs. 1.6 crores towards the implementation of the scheme of Nationalisation of Road Transport. Even after giving due weight to accepted considerations of financial rectitude in budgetary allocations, it would not be out of place to suggest that the allotments under these heads need not have been entirely treated as revenue expenditure for the year. Similarly, the contribution of Rs. 2 crores included in the budget to the Fund for redemption and avoidance of debt could have been omitted in a year of deficit, as this contribution is, more or less, in the nature of a provision for re-payment of debt which normally will be treated as an expenditure of a capital nature. Incidentally, the Committee may also be allowed to point out that according to the original programme of Post-War Reconstruction expenditure, out of a total expenditure of Rs. 87 crores for 5 years, Rs. 44½ crores were to be met by subvention from the Centre and Provincial borrowing. In the revised allocation, out of a total expenditure of Rs. 75 crores, Rs. 35 crores are to be met from Central subvention and Provincial borrowing. In view of the altered budgetary position, it is reasonable to suggest that an increased proportion of the reconstruction expenditure might very well be met by Provincial borrowing so as to obviate the necessity of any immediate fresh or additional taxation.

The Committee are in entire agreement with the claims of the Province for an increased share in the Income-tax Revenue. The existing basis of allocation of the share of Income-tax to the provinces was not strictly related to the yield from this revenue source to the Central Exchequer from the different provinces. The Committee wish Government success in their efforts to secure a re-adjustment of the formula governing allocation under the revised scheme that may be put into force as part of the new constitutional plan.

The Committee have in the past expressed their disapproval of the policy of Nationalisation of motor transport. They are unable to agree to the thesis put forward by the Finance Minister that State-owned business undertakings should be exempt from taxation. It is possible to visualise that in the same sector of activity, both State-owned and private-owned undertakings would be operating side by side and it would be introducing an element of unhealthy and unequal competition if the former is entirely freed from the tax obligations to which the latter would be subject.

Before referring to the new tax proposals, they would like to reiterate that a proper re-allocation of certain items of expenditure between capital and revenue resources would result in the Budget not disclosing any deficit, thereby obviat-

ing the need for any fresh or additional taxation. That apart, a gap of a crore of rupees is not a problem of so great a magnitude particularly after a series of surplus years as to justify the imposition of new or additional taxes. The amount could very well be made good from any of the free balances available with Government.

The Finance Minister has sought to justify the increase in the Sales Tax on the ground that the increase would apply only to luxury articles. The term "luxury" or "essential" with reference to articles is more or less relative. A motor car when used for a joy-ride may be a luxury, but to a businessman or to a professional man like a Doctor, or to an undertaking running a transport service, the article is nothing but essential. Moreover, the standards of life and habits have changed and things which might have been looked as articles of luxury a few years ago, are in the process now considered as essential even by the common man. The inevitable result would be that the tax would push up the prices of the articles concerned further. The Committee will, however, reserve their further comments on this item of taxation until after they have had an opportunity of examining the proposals in all their essential details.

The Stamp Duty on transactions in the Cotton Market will have far-reaching effects. The levy would prove to be a check on the frequency of transactions. It is a matter of common knowledge that the same supply of cotton passes through many stages and there are many links in the actual handling of a transaction particularly in the Forward Cotton Market. At every stage, the duty will have to be paid and cumulatively will represent a substantial burden. Jobbing is an important feature in the forward markets and gives a healthy tone to transactions in the market. The duty will prove to be a deterrent on the frequency of jobbing transactions and consequently lead to a restriction in the volume of business and to fluctuation, on a wider scale. It is also not correct to assume that the existence of unitary control would automatically rule out chances of diversion. Diversion could very well take place to centres like Baroda, Indore and Akola, centres beyond the jurisdiction of the scheme of unitary control. In fact, a forward market is functioning at present at Indore and there was a forward market for cotton at Akola in the prewar period. The Committee understand that the East Indian Cotton Association has submitted to Government the case of the trade against this levy and it is hoped that Government will abandon the same.

The Committee will conclude by expressing the hope that the Finance Minister will find it possible to review his Taxation proposals in the light of the above observations.

APPENDIX 18

Determination of fair return on Capital employed in industry and profit sharing

Letter dated 26th June 1948, from Chamber to Hon'ble Dr. Syama Prasad Mukherjee, Minister for Industry and Supply.

I am directed to refer to the Ministry of Industry and Supply Resolution dated 25th May 1948 whereunder in pursuance of paragraph 9 of Government's Resolution on Industrial Policy, a Committee of Experts have been appointed to examine, *inter alia*, the question of fair return on capital employed in industry and labour's share of the surplus profits. My Committee understand that the Experts Committee are holding their sittings from 25th June onwards during the course of which views in person would be received from representatives of Employers' and Workers' Organisations and also of certain economists and individuals. My Committee hoped that they would be invited by Government to submit their views on the above questions by a memorandum as also to tender oral evidence before the Experts Committee by representatives of this Chamber. In view, however, of the vital importance the question bears on trade, commerce and industry, I am directed by the Committee to submit their views and observations on the same as under :—

At the outset, my Committee would like to make a brief reference to the genesis of this investigation. The Resolution on Industrial Truce, to which frequent references are now being made, decided that capital as well as labour " will share the product of their common effort after making provision for payment of fair wages to labour, a fair return on capital employed in industry and reasonable reserves for the maintenance and expansion of the undertaking." The circumstances connected with the Conference at which the above Truce was entered into are now too well-known. It is a moot point if the results expected or the hopes held forth then of the Truce leading to more healthy industrial relations have been realised.

The primary aim before the country is an all-round increase in production. We are thinking in terms of expansion and development of industries on a gigantic scale. The estimates of the capital requirements for the purpose of implementing that programme of development are of a vast magnitude running, perhaps, to thousands of crores of rupees. When the country is embarking on such an ambitious programme, care must be taken to see that necessary conditions favourable for the inflow of capital to that extent are created

and that in the anxiety to satisfy doctrinnaire ideas of equality of opportunity and equitable distribution of wealth and resources, the country does not unconsciously or otherwise let loose forces and factors which will militate against the realisation of the main objective, viz. expansion and development. If it is conceded that in the accomplishment of the tasks ahead, a free flow of private capital has to be ensured, it then stands to reason that the main lines of the policy should be such as to convey a general measure of re-assurance to the owners of such capital that their interests are safe. My Committee venture to submit that any talk of restriction on return on capital, statutory or otherwise, or limitation of the overall remuneration to capital, is not likely to bring about an atmosphere of confidence in the future. My Committee, therefore, fear that any proposal for limiting the return on capital, at this stage, is inevitably bound to check further flow of capital for industrial expansion or development.

Capital in this country is proverbially shy. It was only during the inter-war period that private saving found its way increasingly to investment in industrial and joint-stock enterprises. Investment in such enterprises naturally involves an element of risk, particularly in the initial years of organisation and consolidation. But the incentive was the prospects of increased return at a subsequent stage. If a ceiling is to be placed statutorily on the rate of return, naturally the incentive to undertake any risk or face the initial period of uncertainty would be lost and it is not unreasonable to suggest that owners would prefer to allow their savings to be locked up in more traditional methods of investment in immovable property, precious stones, etc., where, even if the return is steady and comparatively lower, the element of risk is almost absent. Therefore, any proposal for limiting return on capital will be a move in the direction of setting the hands of the clock backwards.

It is significant, in this connection, to point out that in no other democratic country in the world of sufficient industrial importance, there is in force any such scheme of official limitation on the rate of return. Social ideas of a fair distribution of the prerequisites and profits of industry are not less prominent in countries like the U.K. or the U.S.A. or other countries of similar industrial importance. But all these countries have not thought it proper so far to limit the rate of return on private capital. Incidentally, it may not be out of place to mention that for the realisation of our planned programme of expansion we are counting upon enlisting the co-operation of foreign capital. Although this is neither the place nor the occasion to discuss if and to what extent such foreign capital is necessary, by imposing such a restriction,

the country would be making the chances of such foreign capital coming to our country remote, as such capital would like to seek investment in its own country or elsewhere where it is free from such limitations.

While discussing the problem of limitation of return on capital, it will not be irrelevant to raise the issue of guaranteeing losses. If one were to concede the principle of return being limited, naturally the State will have to undertake the obligation of making good losses in the lean years and reimbursing the owners to the extent of the limit that may be accepted as fair for purposes of return. The State, my Committee venture to submit, would not be able to do that, particularly in the present context of affairs, as in respect of the new scheme of expansion and development, the prospects of realising in the earlier years anything like a fair return, are not hopeful. If the experience of the past is to be any guide, it cannot be assumed that industrial profits will be steady and continuing. A series of good years may be followed by a span of lean years, and would it mean that if the rate of return is fixed, the deficiency in the lean years would be allowed to be made good in the subsequent good working ? For example, in the iron and steel industry, except for the two war periods, out of the history of a period of 38 years, only during 19 years the Tata Iron & Steel Co., Ltd., paid dividends. The issue naturally arises as to what would happen if similar experiences were to be repeated.

Again, the present time is quite inopportune for considering a proposal involving limitation on the rate of return. In the first place, there is perhaps some degree of artificiality in the present money market conditions. Created money, inflation and lack of alternative channels of investment have contributed to these conditions. The rate of yield on fixed yield investments during this abnormal period should be no guide as to the appropriateness of a level of yield for long-term investments in industrial undertakings and any proposal to link the yield on private investments to the prevailing money rates will be fraught with consequences of a far-reaching character during periods when, through pressure of normal factors, the money rates go up.

Then again, for a country of our size it may not be feasible to fix the same rate of return for the different areas and regions. Under-developed areas which may not have the advantage of organised capital market will have to be treated on a different basis. Investors in such areas will have to be given greater inducements. Does it mean, therefore, that if the rate of return is to be statutorily fixed, there will be different rates for different regions ? The same issue will present itself in dealing with different kinds of industries. Some indus-

tries producing consumer goods, having an assured demand, can expect uniformly favourable working conditions. There will, however, be other industries in which the element of risk may be greater and the fortunes of which may be subject to sharp fluctuations. There will be still others which will be of a pioneering character, very essential to the economy of the country as a whole, but in which the scope for return may be limited. By applying the same formula for limiting returns for all these tyes of industries on a uniform basis, we would be creating chaos and confusion and placing handicaps in the way of necessary measure of public enthusiasm and response for undertaking less favourable schemes and lines. The above practical difficulties are being stressed with a view to point out that a uniform rate of return for all industries or undertakings or for all regions in the country will lead to serious anomalies in actual working and defeat the main purpose.

The cry for limitation of return on capital has, perhaps, been caused by a fundamental misapprehension in regard to the distinction between yield and dividend. The dividend declared by a company or an undertaking is not the exact yield which the present owner is deriving. Dividend in terms of percentage may be comparatively higher, but it is to be related to the cost of acquisition of the shares. The bulk of the owners have acquired shares at market values, much higher than the face values and the yield by the free-play of normal forces is more or less adjusted to the yield on investments in Government Securities. If the rate of return is limited, the inevitable result would be that the market value of the investments would go down substantially and lead to a capital loss to the present owners. As a consequence, there would be a crash in our capital market, letting loose forces which would thwart all further schemes for expansion and development.

For the foregoing reasons, my Committee consider that the present time, particularly when we have before us large schemes of expansion and development, involving capital outlay on a large scale, is inopportune for considering a scheme for limitation of return on capital. Any such step would not be in the interests of the country as a whole. My Committee trust that Government will be pleased to give their due consideration to the above observations as the problem affects not only the interests of the commercial and industrial community, but also the well-being of the country as a whole.

Fair return on capital employed in the industry.—As in their preliminary observations my Committee have expressed themselves against any limitation on the rate of profits, they are not making any comments separately on the specific query under this heading.

Depreciation and Reserves.—The present rates of depreciation allowed under the Income-tax Act are mainly for the purpose of arriving at the assessable income. With the present level of replacement cost and the cost of new machinery and equipment, industries must be encouraged to build up depreciation reserves on a more liberal scale. Extra depreciation for additional shift is also a factor of great importance.

Sharing of profits between industry and labour.—My Committee agree that labour should be entitled to fair wages and fair conditions of work. The level of wages in different industries should be related to the capacity of the particular industry to bear. Recently the country has adopted several measures of labour welfare. A start has also been made in the direction of fixation of minimum wages in selected industries. Wages and the cost of all welfare measures should come out of working costs. Profits arrived at after providing for all working costs, including wages, and cost of labour welfare measures, legitimately belong to the owners. As it happens, even on a voluntary basis, the workers are getting a share of profits in the shape of bonuses given from time to time, in many cases on a liberal scale. Beyond this, there should not be any statutory recognition of the principle of sharing the residue as such. The principle has not been conceded in any of the more important industrial countries of the world. Wherever share in profits is given to workers either in the shape of bonus or other emoluments is entirely on a voluntary basis.

The level of wages and emoluments to a particular section of society or in a particular occupation should have some correlation to the general level and standards obtaining in the country as a whole. Wages again should be related to efficiency and output. Even as it is, industrial wages in this country are higher in comparison to wages in other walks of life. Industrial labour again is a small proportion of the working classes of the country. The consequences of pushing up artificially the standards and level of wages in a sphere employing only a small proportion of the working classes on the rest of the community cannot be under-estimated. Again, in order to meet the demands of a vocal section, the country will be penalising the remaining sections which

are larger in number by the higher costs for goods and services consequent upon continuing increases in wages. The effect in a period of depression of the acceptance of any scheme of sharing in profits should not be ignored. After being accustomed to receive payments by way of profits, if later the condition of an industry is such that there are no profits to share, it would be difficult to make labour understand the exact implications of the circumstances connected with the stoppage of extra payment and consequently there will be discontent. There is also another factor of very great importance which should be borne in mind in this connection. It is quite conceivable that in the same industry in about the same centre there can be two units with varying fortunes. A textile mill, for instance, already established may be earning profits on a reasonable scale. On the other hand, a new mill set up during the period of high capital cost may not be able to produce the same results in financial working. Consequently, if the workers in the first mill receive additional payments in the shape of a share in profits and those in the second find that they are less fortunately placed, the disparity in the rates of overall remuneration will lead to prejudicial effects on the relations between the workers in the second mill and their employers. It may even make it difficult for the less successful unit to attract sufficient number of workmen of the required calibre. Moreover, if the principle of sharing profits is once conceded for industrial labour, it would be difficult to resist the claim for the extension of the same treatment to the other sections of the community employed in other occupations. Government themselves are now in many public utility services employers of labour on a large scale. The surplus of the earnings in those services like railways, posts and telegraphs, etc., would at a later stage be sought to be claimed as profits with a view to substantiate a claim for a share by the workers in those occupations. In short, while labour should share in the prosperity of industry by being entitled to fair wages, increased amenities and payments in the shape of bonuses wherever possible, the question of sharing profits as such should not arise.

My Committee hope and trust that Government will be good enough to give their earnest consideration to the points raised herein. If Government deem it necessary and extend an invitation, my Committee will be glad to depute representatives to tender oral evidence before the Experts Committee.

APPENDIX 19

Measures to fight Inflation

Letter No. 3251, dated 23rd October 1948, from Chamber to the Ministry of Finance, Government of India.

The Government of India in the Ministry of Finance issued a press communique on the 4th October 1948 announcing the measures which were proposed to be taken to combat inflation. The proposals in question have been generally well-received, and in this connection, I am desired to send to you hereby a copy of a press statement issued by Mr. Ramdas Kilachand, President of the Chamber. The commercial and industrial interests of the country share fully the anxiety of Government for bringing the situation under control, and earnestly hope that the effort would achieve the necessary success.

In this connection, the attention of my Committee has been drawn to certain anomalies, from the practical point of view, which would arise if the proposals relating to limitation of dividends are given effect to in the manner in which they are indicated in the press communique. My Committee realise that the press communique is a general statement of the steps and that the proposals would have to be given definite shape and form in legal phraseology by the necessary changes in the provisions of law. According to the press note it is proposed that " for public companies the amount distributed as dividend should not exceed the average of the two years ended with 31st March 1948 or 6 per cent on paid-up capital, whichever is higher." In the first place, it is felt that the basis chosen for the purpose of the limitation should not be the average of the two years ended with 31st March 1948, but should, instead be any one of the two years ended with 31st March 1947 or 31st March 1948. The choice in the year would be a matter of great facility to the shareholders of many companies.

While on this my Committee may point out that the accounting years of several companies may fall on a date of other than 31st March 1948. The final proposals should take due account of this factor and provide for necessary adjustments.

Again, according to the phraseology used in the press note, " the *amount* distributed as dividend should not exceed the average of the two years ended 31st March 1948. . . ." Doubts have been raised as to whether by the use of the word " amount " Government have in mind the actual sum distributed, or the quantum of money paid as dividend, and as to whether the limitation is with reference to the said quantum of money so distributed. This point has to be clarified. My Committee however, are inclined to feel that it cannot be the intention of Government to limit payments to the actual sum distributed. In the absence of the word ' total ' or ' aggregate ' before the word ' amount ', it is presumed that

what was intended was the average rate per cent of the dividend declared in the two particular years. If, on the other hand, the payments are restricted to the sum distributed as dividend in the years chosen as basis, the arrangement would involve a good deal of hardship in the case of shareholders of companies which have subsequently increased their paid-up capital. My Committee, therefore, submit that Government should agree to allow payment to the extent of the average of the rate per cent of the dividend declared in the two particular years. If the limitation is to be linked to the amount actually paid, my Committee would request Government to take into account the following practical difficulty :—

It is quite conceivable that in the case of many companies, distribution of income to the shareholders in the two years ended 31st March 1948 may have taken forms other than distribution of cash dividends. For example, companies might have distributed bonus shares instead of cash dividends. If the primary intention of Government is to limit the amount distributed to shareholders to the average amounts actually distributed in the two years chosen as basic, the exact form in which the distribution was made should not, my Committee submit, be a matter of any special significance. In short, the amount distributed as dividend, for the purpose of calculating the average of the two years ended 31st March 1948, should include the average payment, either in cash or in the shape of bonus shares and the limitation should be worked out with reference to the actual amount of such total payments in whatever form or under whatever nomenclature they may have been made. This may be achieved by a clarification that for the purpose of the provision under discussion, dividend shall include any benefit received by shareholders during the year by way of bonus shares or otherwise. Further, the option to pay 6 per cent on paid-up capital should be extended to paid-up capital and reserves.

In this connection, my Committee would also like to draw the attention of Government to the anomalous position under which private companies would be placed if the existing requirements of Section 23A of the Indian Income-tax Act are enforced and not modified. The said section enjoins the compulsory distribution of not less than 60 per cent of the assessable income in the case of private companies. The new proposals of Government are intended to limit distribution. The contradiction in the spirit of the two requirements is obvious and it is reasonable to suggest that Government should take early steps to suspend the operation of the Section in question. It may be recalled that, during the period of the war, Government found it necessary for certain purposes, to order the suspension of the operation of the Section. This aspect may also be attended to when steps are taken to implement the changes contemplated under the anti-inflationary proposals of Government.

There may be specific cases of companies in which the above provisions may cause hardship by reason of particular factors such as the capital structure of the company concerned, etc. Government should arm themselves with powers to deal with such individual cases in a manner which they may consider fair and equitable. A number of instances of the likely consequences of a uniform application of the formula proposed by Government, brought to the notice of my Committee, suggest the need for such a saving clause.

As the proposals under reference are in the nature of emergency measures intended to tide over the present extraordinary situation, the legal provisions enacted to give effect to the same should be specifically limited to a period not exceeding two years and at the end of that period, the emergency restrictions should automatically cease to operate.

Press-Note

Mr. Ramdas Kilachand, President of the Indian Merchants' Chamber, has issued the following statement in October 1948, on the announcement of the Government of India of their measures to fight inflation and to restore the economic equilibrium in the country :—

" The anxiety of Government to set right the disturbed economic equilibrium brought about by the inflationary conditions prevailing in the country is fully shared by the commercial community. He appreciates the realistic approach of Government to the many problems affecting industry relating to rules regulating allowance of depreciation on plant and machinery for income-tax purposes, exemption from income-tax for a specified period for new industrial undertakings, relief in respect of Customs Duty for imports of raw materials, plant and machinery for industrial purpose, etc. Government's decision to effect economy in the civil expenditure as also in regard to determining priority for specially selected developmental schemes is indeed welcome. It is hoped that in the light of the warning given to the Provincial Governments in the matter of conservation of their resources, they will hasten slowly with their various schemes of social reforms entailing loss of revenue.

He expressed the hope that Government drive towards stimulating investments through small savings will receive favourable response from the public. The industry in general will welcome the proposal for enforcing uniform principles in the matter of industrial disputes. Such efforts will result in harmonising relations between industry and labour and be helpful in increasing industrial production.

In regard to the decision of Government in respect of limitation of dividends the industry would have very much appreciated if an option had been given for choosing either the average of two years' dividends or 6% dividend on paid-up capital. It was

also felt by him that further measures would have to be taken to restore the confidence of the industry and the investing public and to that end, in view of the fact that Indian capital being proverbially shy, abolition of Capital Gains Tax would be a measure in the right direction.

While referring to the Estate Duty Bill which is to be expedited, he was doubtful whether in a country like India the effects of Estate Duty will not be damaging to savings, investments and enterprise. He emphasised that a large part of trade and enterprise still depend for their capital resources on private savings and therefore steps should be taken to see that the proposed duty will not dissipate and divert capital from business channels at the present critical moment and thereby seriously affect the future of trade and industry."

APPENDIX 20

New Exchange Arrangements for Pakistan and India

Letter No. 48, dated 7th January 1948, from Chamber to the Ministry of Finance, Government of India.

It was recently announced that as a result of an agreement between the Governments of the Dominions of India and Pakistan, from 1st January 1948 each Dominion would retain separately its own foreign exchange earnings and its own foreign exchange expenditure will be debited against such earnings. Under this arrangement, the foreign exchange proceeds of exports from a particular port will accrue to the Dominion in which the port is situated irrespective of the fact whether the goods originated in or were owned by a resident of that Dominion. This arrangement of allocating foreign exchange earnings according to the ports through which the goods leave the country, it was explained, had been rendered necessary because of the absence of a Customs Boundary between the two countries which would determine ordinarily the final destination of the goods.

2. Banks and authorised dealers in foreign exchange in India are not, under the above arrangement, to negotiate Bills of Exchange or send for collection shipping documents covering exports from ports in Pakistan. Similarly, Pakistan Banks may not negotiate Bills covering exports from ports in India.

3. An exception has, however, been made in regard to exports from Chittagong. It was explained that as it was the general trade practice to negotiate Bills covering exports from Chittagong with Banks in Calcutta, the practice would be allowed to be continued temporarily in order not to interfere with the free movement of trade. At the same time, to ensure that Pakistan received the benefit of the foreign exchange proceeds of Chittagong exports, a

separate procedure has been devised for accounting and disposing of the foreign exchange resources accruing from exports from Chittagong. Thus, under the above special arrangement Banks in Calcutta are allowed the special facility of permission to negotiate Bills covering exports from Chittagong.

4. While my Committee have no desire at this stage to enter into a discussion on the merits of the above arrangements, their main purpose in addressing this communication to Government is to recommend that the special facility extended to Banks in Calcutta of permission to negotiate Bills covering exports from Chittagong should similarly be made available for Banks and authorised dealers in Bombay, subject to the same limitations regarding separate treatment of accounts, to negotiate Bills in respect of exports made from a Pakistan port. The general trade practice of negotiation of Bills covering exports from Chittagong with Banks in Calcutta necessitated the special treatment under the arrangement for exports from Chittagong. It is pertinent to point out that similarly in many cases in respect of shipments from the port of Karachi the Bills and documents are, according to the normal trade practice, negotiated with Banks in centres like Bombay. Large shipments of goods owned by parties in the Indian Dominion are continuing to take place through the port of Karachi. It would be difficult for such shippers in the existing state of disorganization to make immediate arrangements for negotiating Bills covering such exports with Banks in Karachi. Taking into account the practical nature of the above difficulty, Government should just as in the case of exports from Chittagong arrange that at least for a temporary period Bills covering exports from Karachi would be allowed to be negotiated through Banks in Bombay, in order not to interfere with the normal movement of trade.

5. My Committee hope that Government will have no difficulty in recognizing the need for such a special arrangement and in making the necessary provision for the same. A copy of this communication is being sent to the Reserve Bank of India.

APPENDIX 21

Sections 34 and 46 of the Indian Income-tax Act—Income-tax Investigation Committee

Letter No. 570, dated 27th February 1948, from Chamber to the Secretary, Income-tax Investigation Commission.

I am directed to refer to your letter of the 10th January 1948 on the above subject forwarding a copy of the memorandum bearing on the existing law relating to assessment of tax on escaped incomes and in reply to send to you herewith the views and suggestions of my Committee on the specific proposals raised therein.

2. The Income-tax Investigation Commission is entrusted with the work of examining the extent to which the existing law is adequate to prevent evasion of payment of income-tax. At the outset my Committee wish to make it clear that they share the anxiety of Government that every effort should be made to prevent the evasion of payment of income-tax legitimately due. The burden of tax avoided falls on the community. It is, however, at the same time essential to ensure that in the anxiety to prevent evasion of tax the provisions in the law are not such as are likely to result in harassment to *bona fide* assessees. In examining the proposals outlined in the memorandum circulated by the Commission, my Committee have been mainly guided by the above standpoint.

3. The burden of the case contained in the first six paragraphs of the Commission's memorandum is that having regard to the views on the position of the law relating to assessment of tax on escaped incomes enunciated in the various judgments referred to therein the Department's power to deal with escaped or under-assessed income is seriously curtailed and that consequently steps be taken to remedy the position so that the power of the administration to re-assess income which has escaped assessment is not restricted in the manner contemplated by the provisions in Section 34 of the Act. My Committee would here like to make a detailed reference to the genesis of the provisions in that section. Before the Indian Income-tax Act was amended in 1939, the corresponding section provided that " if for *any reason* income, profits or gains chargeable to income-tax has escaped assessment in any year or has been assessed at too low a rate, the Income-tax Officer may . . . proceed to assess or re-assess such income. . . ." The provision in the above form had vested the Income-tax Officer with wide powers and there were complaints that the said powers were being used capriciously. It was the common experience of the assessees that very often cases were reopened as a result of changes in the personnel of the Income-tax Officers just because the succeeding officer did not share the view of the case on which his predecessor had based his assessment. Section 34 was also being invoked on mere suspicion. The public reaction about the application of the section was expressed in the following terms by Babu Baijnath Bajoria, a member of the Legislative Assembly, in the year 1939 in the course of the debate on the Income-tax Bill :

> " Our experience has been that cases have been started on very vague information which has resulted in harassment to the assessees. . . . I would like to draw the attention of the Honourable the Finance Member that cases under Section 34 are also started whenever any appeal is made against an assessment order of the Income-tax Officer. Generally to protect himself he gives Notice under Section 34 also whenever any Superior Officer calls for the file ;

he is probably afraid that some defect may be found in his work and to protect himself he gives notice under Section 34."

The Income-tax Enquiry Committee Report, 1936, also emphasised " the necessity of having fresh evidence before taking action under this section."

4. The history of the subsequent developments in regard to the changes effected in the wording of the provision in Section 34 at the time of the Income-tax Amending legislation of 1938 has been briefly referred to by the Commission themselves in their memorandum. It is significant to point out that at every stage the change suggested was such as to make it more clear and precise that the scope of the powers vested in the officers under the section should be so circumscribed as to protect the assessees against anything in the nature of an inquisition at the instance of the Department founded on mere suspicion rather than on positive material. As a matter of fact, the relative Bill, as originally introduced, provided that if " the Income-tax Officer was of the opinion that " income had escaped assessment, he could proceed to take action for reopening the case under the section. While commenting on the Bill, my Committee had even then suggested that the assessee should not be left to the mercy of the Income-tax Officer just because, in his opinion, the income had escaped assessment. Subsequently, however, the point was fully gone into at the Select Committee stage and as a result of the discussions and decisions in the Select Committee, the Section worded in its present form was placed before the House as an amendment on behalf of Government and was accepted. The views expressed by non-official members, including the then Leader of the Opposition, the late Sjt. Bhulabhai J. Desai, at the time of the discussion of the clause on the floor of the Assembly, specifically made clear that members of the Legislature were keen on safeguarding the position of the assessees in two directions, viz. that the grounds for the reopening should be definite and precise and that the examination should be restricted to those grounds. Sir James Grigg, the then Finance Member, in supporting the Government's amendment observed that it was put in because a great many fears were expressed that under the clause as worded, even after it left the Select Committee, a fishing enquiry, without any sort of information whatever, was possible for the Income-tax Officer. That was certainly not the intention of the Income-tax administration and they put this in order to make it clear. In fact, with a view to stop " the Income-tax Officer from making purely fishing enquiries with no basis at all ", he further agreed to qualify the word " information " by the addition of a condition that such information should be " definite ". The trend of the entire discussion on the occasion in the legislature was to the effect that the Income-tax Officer should be entitled to reopen an assessment only on the basis of definite information about escapement.

5. My Committee have thought it fit to refer extensively to the previous discussion on the point with a view to emphasise that the legislature in its wisdom purposely and after full deliberation decided that the powers vested in the Income-tax Officer under the section should be conditioned by safeguards designed to protect the assessees from the said powers being exercised in a manner except on the basis of precise and definite information *prima facie* indicating evidence of evasion. The excerpts from the different judgments in the cases referred to in the Commission's memorandum have, my Committee submit, only confirmed and upheld the point of view which the Legislature had in incorporating the necessary safeguards in the section that reopening under Section 34 must be the result of information about some fact or facts which were not present to the mind of the Income-tax Officer when he made the assessment.

6. It is very difficult to prove intentions. On the present occasion, however, the similarity of the sentiments expressed by the members of the legislature regarding their expectations as to what the provisions in the section should be like to the interpretation and opinion in the relevant judgments by the Learned Judges of the different Courts, goes to support the view that the section of the Act in actual working has achieved only what it was meant to achieve by the legislature, viz. safeguarding the assessees from being subjected to merely fishing enquiries with no basis at all. In that view of the case, it is difficult to justify the conclusion sought to be arrived at by the Investigation Commission that the Department's power to deal with escaped income was severely curtailed and that, therefore, steps are necessary to remedy the position. The provisions in the section are sufficient to cover the requirements which the Legislature had in view and my Committee are unable to agree that any case has been made out justifying the need for a change. In paragraph 7, the Commission suggest that there should be limits on the theory of finality and that, therefore, on that ground the increased powers for reopening should not be objected to. My Committee may be allowed to refer to the following pregnant observations made by Chief Justice Beaumont during the course of his judgment in a case referring to action under Section 34 :

> " Income-tax is a serious item in the expenditure of most people and an assessee is entitled to know what his liability is, and it certainly seems unreasonable that, if his liability has been fixed at a certain figure, and he has based his future budget on that figure, he should subsequently be told that owing to some mistake of Income-tax Officer, he ought to have been charged at a heavier figure with the result that he may cause considerable embarrassment."

The position has been succinctly stated by the Learned Judge. If there is no finality in the assessment once made, how are the assessees expected to adjust their affairs for the subsequent years ?

7. My Committee are not suggesting that there should be no attempt to reconcile the interests of the tax-payer with the interests of the State and public revenue, by unduly stressing the theory of finality. On the other hand, they venture to submit that the powers vested in the Department under the provisions of the Section as it stands at present are adequate to safeguard the interests of public revenue against any act of omission or commission by the assessee. According to the Investigation Commission, reopening of assessments would be necessary under the following circumstances :

(*a*) Cases in which it is sought to correct mistakes of law,

(*b*) cases involving mistaken interpretation of the facts which were before the Income-tax Officer at the time of the assessment, and

(*c*) cases in which new facts have been brought to light.

8. My Committee are of the definite opinion that in regard to the first two types of cases the Department should not have power to reopen as there must be some stage of finality in regard to assessments already made. If the Income-tax Officer had taken a mistaken view of the law at the time of the assessment, surely the assessee could not be held responsible for the same and it would be extremely unfair that because of subsequent developments in regard to the interpretation of the legal position, the latter should be subjected to the process of the whole assessment being reopened. In the same manner, if the officer had failed to interpret correctly the facts presented to him, it is not a matter in which the assessee can reasonably be called upon at a subsequent stage to have the assessment gone through afresh.

9. In regard to types of cases in which new facts have been brought to light and where reopening for purposes of reassessment may be rendered necessary on account of such fresh facts, the Department has adequate powers under the existing provisions in Section 34 to deal with the matter. Where new facts have been disclosed, if there is some definiteness in the information concerning the disclosure, the Department is entitled, under the law as it stands at present, to reopen cases of this type. My Committee are, therefore, of the considered view that the Commission have not adduced reasons which would justify the need for a change in the provisions of Section 34 of the Indian Income-tax Act and consequently they are opposed to any proposal for modifying the same on the lines indicated in the memorandum.

10. In paragraph 10 of their memorandum, the Commission refer to the recommendation of the English Committee on the Codification of Income-tax Law in that country so as to permit cases being reopened if the Inspector " comes to the conclusion that any income which ought to have been assessed " has escaped taxation. It may be pointed out that the above recommendation

has not still been implemented in the United Kingdom. The Codification Committee was appointed as far back as October 1927 and submitted its report on 12th March 1936, viz. after the lapse of about nine years. The report and a draft Bill embodying the changes recommended therein were circulated, but no legislative action has been taken in respect of the recommendations. On the other hand, the English Act was amended on several occasions after 1936 and there were specific amendments in 1942 dealing with the question of income escaping assessment. It is, therefore, premature to assume that the change suggested by the Codification Committee has been accepted by the Inland Board of Revenue or is likely to be given effect to. It may incidentally be mentioned that some taxation authorities in that country were inclined to think that the change suggested by the Codification Committee was a mere paraphrase of the existing provisions in the appropriate section of the U.K. Act and did not really confer additional powers.

11. In paragraph 10, the Commission also make a reference to the provision in the Australian Income-tax Act of 1936, whereby the amendment of an assessment is made dependent on whether or not the tax-payer has made " a full and true disclosure of all the material facts." My Committee have already pointed out that there are sufficient safeguards against deliberate concealment of information and facts in the Indian Income-tax Act. Since, however, the Commission have thought it fit to make a reference to the Australian Commonwealth Act in support of their suggestion justifying a change here, my Committee would take the liberty of inviting the attention of the Commission to sub-section 3 of Section 70 of the same Act providing that " where a tax-payer has made to the Commissioner a full and true disclosure of all the material facts necessary for his assessment and assessment is made after that disclosure, no amendment of the assessment increasing the liability of the tax-payer in any particular, shall be made except to correct an error in calculation or a mistake of law and no such amendment shall be made after the expiration of three years from the date upon which the tax became due and payable under that assessment." Thus the Australian Act ensures a finality of assessment and the arguments against finality advanced by the Commission are not supported by the position taken up in the Australian Law.

12. **Paragraph 14 :** Proceedings initiated under Section 34 might fail on technical grounds like want of proper notice or absence of jurisdiction in the particular officer who initiated the proceedings. The Commission suggest that the assessee should not be allowed to escape assessment for reasons of such a technical character, and therefore, recommend the inclusion of some provision whereby reopening could proceed notwithstanding such technical defects. My Committee are strongly opposed to the proposal as legal formalities, technical or otherwise, should be strictly adhered to. Exigencies of a particular case should not be an

excuse for departing from the strict observance of the formalities in question.

13. **Paragraph 15 :** Section 34 of the Act provides that re-opening proceedings should be completed within four years in cases of under-assessment or evasion and within eight years in cases of deliberate concealment by assessees. The Commission suggest that particularly in regard to cases where the proceedings were started towards the end of the limitation period, an additional period of a year or two should be available to the Income-tax authorities for completing the case. My Committee are opposed to this change. The time already allowed under the Act is sufficiently long. In the existing state of delay in completing assessments—in many cases assessments of a number of years are pending—the provision for increased time-limit would mean that the assessees would be obliged to preserve their records for an indefinite period.

14. Regarding paragraph 16, power of revision by the Commissioner under Section 33A is not intended to be exercised in any manner prejudicial to the assessee. My Committee are unable to agree to any change in that position as suggested by the Commission.

15. **Paragraph 17 :** In order to facilitate realisation of tax and to ensure that recovery proceedings are not rendered infructuous by the assessee, the Commission suggest that the Income-tax Officers should be empowered to serve a notice on a person, including a bank holding monies belonging to the assessees, restraining such parties from paying over such amounts to the assessee without satisfying the tax claim. My Committee agree that the Act should make due provision for securing payment of tax legally due and assessees should not be in a position to manipulate their assets so as to make them not within the reach of law. At the same time, it is necessary to provide adequate safeguards for protecting the interests of third parties who may have a claim on the money standing in the name of the assessee. The Income-tax Officer should not have absolute powers of immediate recovery, but provisions may be made to authorise him to issue a prohibitory order, valid for a period not exceeding two months, on the holder of the resources, restraining such holder from parting with the assets. In the meanwhile, after providing adequate opportunities for third parties for their claim, if any, to the ownership of the money so frozen, the Income-tax Officer could, through the normal course, take proper steps to get the tax recovered by an order of attachment from the assets so frozen. In short, the Income-tax Officer should not have the direct right of attachment. He should only be entitled to prevent the disposal of the funds in a manner which would frustrate their ultimate attachment. Before the actual attachment takes place, it is also necessary to safeguard the position of third parties having claims against the funds so proposed to be attached.

16. The Committee of my Chamber request that the Income-tax Investigation Commission will be pleased to give due consideration to the views and suggestions expressed herein.

APPENDIX 22

Questionnaire Issued by the Income-tax Investigation Commission

Letter No. 2430, dated 4th August 1948, from Chamber to the Secretary, Income-tax Investigation Commission.

I am directed to acknowledge receipt of your letter dated the 29th May 1948 enclosing a copy of the questionnaire issued by the Income-tax Investigation Commission on legal avoidance, evasion and causes which led to the tax not being collected or collected through defective machinery of the Department and to send to you hereby the views of my Committee on the same as under :

General

My Committee have carefully considered the questionnaire submitted to the Chamber by the Income-tax Investigation Commission regarding the proposed amendments to the Indian Income-tax Act in all its implications and have examined the various issues arising therefrom.

While my Committee appreciate the anxiety of Government to amend the existing Income-tax Act with a view to preventing escapement and evasion of tax due to them, they are of the view that the present difficulties have not arisen as a result of the defective and inadequate provisions in the Income-tax law itself, but are rather due to factors relating to the present administrative machinery, the high incidence of tax structure as obtaining at present and the over-enthusiastic attitude of the Income-tax officers to collect more tax than the law would permit. It is an accepted principle that in the sphere of administration, the successful implementation of any code or system of law depends upon the degree of co-operation between the administrator and the administered. It is a matter of common knowledge that such co-operation has not obtained in the relations between the tax collecting authority and the assessee public. In the opinion of my Committee, one of the foremost factors that has contributed to this position is the overall stringent and rigid structure of the Income-tax law as is at present in existence. With the heavy increase in the burden of taxation there was to be expected a natural tendency on the part of the tax-payer to find out devices to pay only as much tax as the law would demand which he would be justified in adopting. In this connection, it will not be out of place to quote a passage from the judgment in the case of *Ayrshyre Pullman Motor Services and B. M. Retchie* v. *Commissioners of Inland Revenue* which runs as under :

> "No man in this country is under the smallest obligation, moral or other, so to arrange his legal relations to his business or to his property as to enable the Inland Revenue to put the largest possible shovel into his source. The Inland Revenue is not slow—and quite rightly—to take every advantage which is open to it under the taxing statutes for the purpose of depleting the tax-payer's pocket. And the tax-payer is, in like manner, entitled to be astute to prevent so far as he honestly can the depletion of his means by the revenue."

On the other hand, as has been made fully evident in the process of the administration of the law, the income-tax authorities have tried to step beyond the limits of the provisions and have attempted to get something more than was legitimately due from the public. What my Committee want to point out here is that instead of the present strained relationship, there should prevail an atmosphere of co-operation and cordial relationship between the Department and the public. They would like to emphasise that in achieving the above objective, the income-tax authorities should curb the over-zealous income-tax officers to remain within the limits prescribed by law and exact payment of tax as is legitimately enforceable. It will not be out of place here to draw the attention of the Commission that the revenue authorities have been found to make attempts to challenge and upset assessments in case of partnerships recognised as genuine partnerships and which existed for long periods. It has been brought to the notice of my Committee that *bona fide* partnerships have been challenged as bogus ones with a view to collect more tax than was otherwise due from them. These are but few instances that have led my Committee to believe that there is a serious lacuna in the present administrative machinery.

Besides, the present Income-tax law has developed into a very compact and comprehensive statute after having undergone several amendments since it was originally framed. They would, therefore, strongly suggest at this stage that no attempts should be made to further modify and amend the law. What is now required is that the whole taxing system should be thoroughly re-examined and that a new taxation statute of a simplified nature should be evolved. To achieve the above objective Government may appoint a high level Expert Committee whereon, in addition to the judicial and departmental elements, non-official elements comprising of representatives of trade, commerce and industry, including lawyers, practising accountants and such experts should find a place. My Committee would, therefore, request the Investigation Commission to convey to Government the desirability of the appointment of such a Committee before the proposals in regard to the questionnaire issued by them are further proceeded with.

Before my Committee proceed with their observations on the questionnaire, they would like to point out that some of the amendments suggested in the questionnaire are based on laws prevailing in the U.K., Australia and the U.S.A. They are of the opinion that Government should not amend the Income-tax Act on the basis of some of the provisions of the laws prevailing in those countries without at the same time giving the benefit of the advantages given to the assessees by the laws of those countries to the assessees in the Indian Dominion. When the Capital Gains Tax was introduced in the year 1946 on the analogy of such tax prevailing in the U.S.A. it was pointed out that such a tax would cause great hardship to the assessees and that in any event it should not be made part of the Indian Income-tax Act. Notwithstanding this, Government at that time thought it fit to amend the Income-tax Act by including therein provisions relating to the Capital Gains Tax. The views of my Committee have already been submitted to Government in their memorandum on the Capital Gains Tax. My Committee feel that this is one more reason why a Committee of Experts should be appointed by Government to consider the various aspects of the existing taxation laws of the country. They expect that such a Committee will make a detailed report suggesting the proper basis for taxation in this country on scientific lines.

Having dealt with the general aspect in relation to taxation in this country, my Committee now propose to deal with the questionnaire seriatim.

I. Residents & Non-residents

1. As regards question No. 1, my Committee feel that the principle of taxing resident assessees on their world income was introduced in the Indian Income-tax Amendment in 1939 and the category of "Not ordinarily resident" was introduced with a view to favour foreigners who come down to the country temporarily for purposes of their business or for getting some employment. My Committee feel that now that the country has attained independence, it is no longer necessary that this category should any longer be retained in the taxation statutes. My Committee are of the opinion that for the purpose of taxation there should be only two categories, viz. resident and non-resident and the definition of both these categories should be on the lines of the U.K. Laws.

2. The provisions suggested by the English Codification Committee with regard to persons styled as "Principally resident" have not been adopted in the U.K. and there is no reason why they should be adopted in this country. In this connection, my Committee would refer to the principles of taxation on remittance and accrual basis. In their opinion the retention of both these principles of taxation in the existing Income-tax Act has caused great hardship. It is a matter of common knowledge that many

Indians who were originally domiciled in the Dominion of India have settled outside the Dominion for business purposes or otherwise and have, in the years past, made considerable profits from such business which has remained outside the Dominion of India. Under the present law it will be difficult for these persons, if they are resident in the Dominion of India, to bring back their earnings made years ago on account of the fact that they become ordinary residents and are liable to be taxed on such earnings if the receipts are brought into Indian Dominion in any accounting year. This, in the opinion of my Committee, has resulted in capital being locked up in foreign countries and is not available in the Dominion of India to persons who were original residents in the Dominion and left it and became non-residents for purposes of their business. My Committee at the same time would like to emphasise that these observations should not apply to those assessees who have earned income retained in the Indian States in view of the Standstill Agreement between the Indian Dominion and the acceding or merging States. They would further observe that income earned between 1933 and 1938 should not be subjected to taxation if it is brought into the Dominion of India subsequently. In view of the fact that my Committee are opposed to the retention of the basis of receipt or remittance, no useful purpose will be served by amending the provisions relating to the different categories of assessees. My Committee are in any event opposed to the non-residents being declared as assessable in respect of profits brought into or remitted to the Indian Dominion.

3. It is always difficult to ascertain the total income of non-residents, but in most cases their income is liable to taxation in foreign countries, and the certificates of those taxing authorities giving the relevant details should be accepted for the purpose of Indian taxation. Where qualified auditors are available in those countries, their certificates, according to the requirements which may be prescribed, may be accepted. In this connection, it may be pointed out that under Section 42 of the Income-tax Act, a resident agent is taxed on the income of his non-resident principal and for the purpose of the taxation rate, the total income of the non-resident principal is taken into account. This has caused great hardship to the agents appointed under Section 42 as it is difficult for them to get from the principals their total world income. Moreover, as stated below, the principle of taxing a resident agent for a non-resident principal should be the same as that which prevails in the U.K.

4. As regards question 4, my Committee are opposed to select anyone of the different agents as the assessee on behalf of the non-resident agent under Sections 42 and 43. It is not possible for one of the several agents to know the total income of a non-resident which may accrue to the principal through the agency of different persons and it may not be possible for him to retain sufficient

amount to meet the entire taxation liability of the non-resident. Moreover, under the existing Sections 42 and 43 a resident agent is made liable in respect of income made by the non-resident principal on account of " business connection ". The expression " business connection " has nowhere been defined and it is such a loose expression that any dealing between a resident and non-resident may be treated as a " business connection ". My Committee, therefore, suggest that the vicarious liability to which a resident agent is subjected should be done away with and legislation should be introduced on the lines of the English Act, viz. that a non-resident principal should be subjected to taxation laws of this country when he exercises a trade in the Dominion of India and not otherwise.

II. Hindu Undivided Families

5. My Committee do not think any difference need be made between a family governed by Dayabhaga law and a family governed by Mitakshara law. They are, however, of the opinion that partition of a joint Hindu family should be accepted by the Income-tax authorities although such a partition may not be by metes and bounds but may be effected by an unequivocal declaration of partition on the part of the co-parcener. As regards the assessment of income of a Hindu Undivided Family, it may be pointed out that formerly there was a higher exemption limit in the case of Hindu Undivided Family for purposes of super-tax. This concession has now been withdrawn. My Committee, therefore, suggest that it will be a more equitable method of assessment if the assessment was based on the total income of each male co-parcener of a Hindu Undivided Family including his share of the income in the joint family business or properties. The tax assessed on the co-parcener separately as aforesaid should be recovered from the funds of the joint family. If this basis is adopted, my Committee see no objection to reducing the concession in respect of premium of life insurance from Rs. 12,000 to Rs. 6,000. The situs of the Hindu Undivided Family should ordinarily be the head and seat of control of the affairs of the joint family and if there are more than one situses of the joint undivided family then the income-tax officer should have the option to take such place as the situs where the major portion of the income arises.

III. Companies and Firms

6. As regards question 6, a Company incorporated in the Dominion of India under the Company Law for the time being in force should be treated as a resident company and taxed on its world income. A foreign company, i.e. a company not incorporated in the Dominion of India, should be treated as a resident company and taxed on its world income if the control and management of affairs are situated in the Dominion of India in any accounting year. Companies other than those falling within the

above two categories should be treated as non-resident companies and should be subjected to taxation in respect of their income which accrues or arises in the Indian Dominion.

Questions 7, 8 and 9 :

As regards Questions 7, 8 and 9, my Committee strongly object to private limited companies being treated as firms or partnerships for the purpose of Income-tax assessment. Under the existing income-tax laws sufficient provision is made with a view to prevent private companies from avoiding taxation, *vide* Section 23A. It is the avowed object of Government to encourage enterprise and to promote rapid industrialisation of the country and my Committee feel that by reason of the proposed provisions relating to private companies, the public will hesitate to come forward with a view to promote trade, commerce and industry. Even in the U.K. the proposed provisions do not exist and there is no reason why such provisions should be introduced in the Income-tax laws of this country. My Committee are strongly opposed to the introduction of provisions similar to Sections 10 and 10A of the E.P.T. Act. In this connection, it is pertinent to point out that Corporation tax and non-obtaining of relief for earned income are sufficient safeguards against the floatation of mushroom private companies with the object of avoiding taxes.

10. As regards question 10, my Committee feel that in no taxation laws of any country distinction is made between a registered and an unregistered firm and they feel that this distinction should be done away with. My Committee are of the opinion that the provisions of Sections 58 to 69 of the Partnership Act, 1932, should be so amended as to make it compulsory under that Act for every partnership or firm to be registered within a reasonable time from the commencement of such partnership and a certificate of the Registrar of Firms relating to such registration should be accepted as *prima facie* evidence of the existence of a genuine partnership.

IV. Mutual Associations

11. As regards question 11, my Committee beg to point out that as the law stands at present, many associations have to pay more tax although the net resulting income from their activities, which are not of a commercial nature, would be much less. Their subscription income is exempted, but their expenditure is very large and this expenditure is met out of the income from other sources, i.e. say, from property income or dividend income or interest on securities or other interest income. Thus, by treating them as concerns not carrying on any commercial activity more tax is collected and therefore it is but appropriate that the taxation of such associations should be so based that the allowance of the expenditure incurred is made in proportion to the income, taxed

irrespective of the provisions of the Act as to the allowance of particular expenses under particular heads of income.

V. Collection and Information at Source

12. The present provisions to collect information and to deduct tax are wide enough and there is no scope for extending the provisions in this behalf.

13. The suggestion for compelling companies to deduct super-tax from dividends payable to non-resident shareholders in all cases may be carried out. The rate of super-tax in this behalf should not exceed the maximum rate of income-tax under the last Finance Act. In case, however, of shareholders deriving small income from dividends, it is suggested that on production of a certificate, certifying the nature of small income derived from dividends, the exemption at source may be allowed.

VI. Advance Payment (interest on)

14. As regards question 14, we agree with the view taken by the Commission and suggest that a suitable provision be made for allowing interests in cases falling under Section 18A of the Act. A simple procedure would be to calculate interest on a moiety of such income for half the year, treating the income as arising in the middle of the year.

VII. Computation of Income

15. My Committee are strongly opposed to the proposed extension of the provisions of Section 10(4) (*b*) on the same grounds as stated above.

16. My Committee are strongly opposed to the introduction of a provision on the lines of Section 108 of the Australian Act.

VIII. Deductions and Allowances

17. As regards question 17, my Committee agree with the view of the Commission that the proviso 1 to Section 24 should be so worded as to make it clear that losses sustained in Indian States should not be taken into account. There should, however, be added an explanation to this Section that where an assessee desires to bring his Indian State income to Indian Dominion on accrual basis, he should be allowed to do so and this option should not be subject to subsequent change except with the previous permission of the Income-tax Officer.

18. The only way in which the complaint of the tax paying public as to the unduly narrow view taken by the income-tax officers in allowing business expenses can be met is by widening the scope of Sections 10(2) (xv) of the Act and providing therein that expenses incurred in the ordinary course of business, of which vouchers could not be obtained out of business expediency, should

be allowed although they are incurred voluntarily. With regard to certain expenses which are usually incurred by a business to carry on business should be allowed within the limit as previously determined by the Central Board of Revenue in consultation with various interests concerned. Anything in excess of that percentage should be left to the discretion of the Income-tax Officer for deduction. My Committee further submit that travelling and other expenses incurred in the ordinary course of business within or without the Dominion of India should be allowed as deduction.

19. My Committee feel that the question whether certain expenditure incurred for ordinary repairs and maintenance is on capital account is a question of fact which it is quite competent for the Income-tax officers to determine and no special provision is needed for the determination of such a question.

20. My Committee feel that the provisions of section 10(2) (iii) are sufficient. Once the amount is borrowed for the purpose of business, interest should be allowed as a deduction. The question of interest allowance is one of major importance and the department has always taken a very narrow view as to the allowability of interest paid. If monies were borrowed for the purpose of business they cannot become personal borrowings subsequently. If the monies have been actually used for some other purpose the fact would be very obvious and the question as to the monies having been used for a particular purpose is one of fact and no amendment of the law in this behalf is necessary.

21. As regards question 21, my Committee are unable to accept that where an industrial establishment was closed either entirely or partially no depreciation should be allowed in respect of the period of the closure. If the logic underlying the proposal was that buildings, plant and machinery standing idle did not depreciate at all, it was the opinion of my Committee that if anything, the machinery depreciated more in disuse than otherwise. If it was desired to allow only proportional depreciation, then additional depreciation should have been accorded by Government to factories on the basis of the number of hours worked over the first shift. In other words, if a factory worked two shifts of 8 hours each, it should be entitled to twice the ordinary depreciation and if it worked three shifts of 7½ hours each, it should be entitled to a still higher depreciation proportionate to the number of hours worked. But at present the assessee was allowed only 50% over the ordinary rates of depreciation regardless of whether it worked 7½ hours or more over the first shift. My Committee are not in favour of making a provision for proportionate allowance.

IX. Stock Valuation

22. My Committee have no objection to a suitable provision being made in the Income-tax Act that stock valuation should be made at market value or cost whichever is lower. Moreover, it

should also be provided that such a valuation should be required to be made in respect of each individual item of the stock in trade but should not be for the aggregate stock.

X. Usufructuary Mortgages

23. As regards question 23, my Committee are strongly opposed to taxation of income derived by a mortgagee in possession of agricultural land. They submit that a mortgagee in possession of agricultural land earns the produce of agricultural land and the same should not be taxed in his hands.

XI. Premium on Leases

24. As regards question 24 my Committee are of the opinion that the premia received on the execution of leases or sub-leases are in the nature of capital receipts and should not be treated as taxable income in the hands of the recipient. My Committee are strongly opposed to incorporating the provisions similar to the provisions 83 and 84 of the Australian Act. If the premium received is taxable income in the hands of the recipient, it is also a revenue outgoing in the hands of the payer. It may be pointed out that while a reference is made to Sections 83 and 84 of the Australian Act, no reference is made to Sections 85, 86, 87 and 88 of the said Act which provide for allowable deductions and necessary relief.

XII. Unclaimed Balances

25. As regards question 25, my Committee are strongly opposed to unclaimed balances being treated as income in any accounting year. My Committee in this connection beg to point out that although the claim of the creditor is barred by the law of limitation, still it is always competent to the debtor to pay a barred debt.

XIII. Superannuation Funds

26. My Committee agree to the suggestions made therein.

XIV. Super-tax

27. In view of the fact that my Committee are of the opinion that distinction between a registered and an unregistered firm should be done away with, it will not be necessary to extend the principle underlying Section 17, sub-section (2) to super-tax.

XV. Submission of Return

28. The difficulty as to catching dishonest assessees can be tided over by having a proper inquiry made as to assessees liable to taxation. A person who will evade tax under any circumstances will not find any compulsion or obligation too strong for him and he will continue to ignore any statutory provision that may be made in this behalf. Moreover, taking into consideration the illiteracy amongst a section of the business community and also taking into consideration the fact that many assessees may be found

in small towns it will not be proper to make a general provision for treating the failure to make a voluntary return under a general order an offence. Whenever a person who has evaded tax is found he can be dealt with properly under the existing provisions.

XVI. Accounts (Keeping and Production)

29. The present Act already makes a provision that an assessee having an income from a business must file with the return of income a balance sheet and a profit and loss account. This provision automatically ensures for the accounts being kept by such class of assessees. Section 13 further provides for cases where proper accounts are not kept. The present provisions appear to be adequate for the point in view and it is not necessary to copy the provisions in this behalf as found in the statute of Australia.

30. My Committee are strongly opposed to any provision being made compelling an assessee to preserve the books of accounts for some years. It is to be left to the discretion of the assessee to preserve or not his books of accounts for a number of years.

Although the practice of getting the accounts audited by qualified auditors should be encouraged, no specific provision should be made compelling every assessee to have his accounts audited. If, however, it is desired to encourage the practice of getting the accounts audited by qualified auditors, then the income-tax officers should attach due weight to the audited accounts in the matter of assessment.

31. The suggestion made under this paragraph is very objectionable. The relations between a client and his auditor are such that the auditor is in the possession of confidential information and under the rules of professional ethics laid down it is improper for him to reveal his clients' matters. Apart from this question, one cannot understand as to how an assessee will suppress audited accounts. If he has something to suppress there is no reason why he should go to an auditor and get the accounts audited. It is generally in cases where the tax-payer is discharging his obligation properly that he goes to an auditor for getting his accounts audited.

XVII. Best Judgment Assessment

32. The Income-tax officer proceeds to collect information from outside and he collects it from persons with whom the assessee had dealings. Information is also collected from the banks and the method of dealing with particular cases would be different according to the circumstances obtaining in each case. The present provisions as to appeal are adequate and in cases where the assessee has committed a default and has suppressed accounts and information, he is out of court at the very first stage and no useful purpose will be served by restricting the scope of appeal. If this restriction is put, it may act hard on assessees who have complied with the requirements of the Act but who, due to

some reason or the other, have not been able to meet with unreasonable requirements of an over-enthusiastic income-tax officer. Moreover, in case an Income-tax Officer decided to make a best judgment assessment order he should give an opportunity to an assessee to give the necessary explanation relating to the materials on which he proposes to base his order.

XVIII. Avoidance and Evasion

33. As regards question 33, my Committee feel that no change is necessary to be made in the proviso 1 to section 43 as the existing proviso gives ample powers to the income-tax authorities to call for sufficient and proper evidence regarding the fact that a non-resident principal was acting as a broker for his own constituents.

34. As regards question 34, in the opinion of my Committee, the provisions of Section 16(1) (*c*) and sub-section (3) are wide enough to cover cases of dispositions of income or assets in favour of the settlers' wife and/or their children. Even under the English Law dispositions made in favour of grand-children, nephews, or illegitimate children are not brought within the ambit of similar sections of that law. In this connection, it is to be pointed out that although the personal law of the assessee allows *bona fide* dispositions by way of gift or otherwise to be made in favour of wife or children, still by the said Section 16(1) (*a*) and sub-section (3) of the Income-tax Act, income accruing in favour of wife and/or minor children is included in the total income of the Donor. My Committee are firmly of the opinion that this principle should not be extended any further. The reference in the said question to the transfer of shares in the joint names of husband and wife is made in view of the decisions of the Bombay High Court in Shiavax C. Cambatta's case having regard to the provisions of Section 23A of the Act. In view of that decision, my Committee are in favour of amending Section 23(*a*) so as to provide that for purposes of Section 23(*a*) the beneficial interest of husband or wife will only be considered.

35. My Committee are strongly opposed to allowing tax to be recovered from the property transferred inasmuch as notwithstanding the fact that for purposes of income-tax the income of the transferred property is included in the total income of the transferor still, in law, the transferred property remains the property of the donee or the transferee.

36. As regards 36, in modern times of delivery of a share certificate with a blank transfer form passes both the legal and equitable interest in the shares transferred and for all purposes the holder of such certificates with the blank transfer form is the owner of the share. My Committee do not agree with the view that the identity of the person who receives dividends or interest is concealed. In case of big holdings, it is possible to find out the

registered holding of an assessee and then compare it with his beneficial holding. The difference will represent outside holding in respect of which, the outsider will claim dividend from the registered holder. The books of the registered holder, who pays the amount to the person who holds a blank transfer will show who the holder of the blank transfer is. As to the share dealings, necessary enquiries can be made and the information can be had from the basic records of share brokers. My Committee do not think that by reason of this method any profits in the share dealings are likely to be concealed or any claim for genuine or fictitious losses will be made.

My Committee are opposed to making any specific provision in the Act as to the person whom the income-tax authorities should recognise as the owner of the share between the date of transfer and the date of registration. In the opinion of my Committee the owner of the shares should be that person who is entitled in law to payment of dividends as the seller, as has been held by the High Court of Bombay, is a trustee for the purchaser in respect of dividends, right to vote, etc.

37. As regards question 37, my Committee beg to point out that under the head " salaries ", income-tax is payable in respect of salary, wages, annuity, pension, gratuity, commissions, fees, perquisites or profits, in lieu of or as an addition to salary or wages. These words are wide enough to include emoluments in every form which an employee gets and there is no necessity for further amending the Act. It may be contended that there may be a gross abuse in an employer allowing conveyance allowance, etc.

XIX. Persons Leaving the Country

38. As regards question 38, my Committee are in favour of making a suitable provision in the Act. by providing that no foreigner will be entitled to leave the Dominion of India for good unless and until a certificate from a competent income-tax authority is produced to the effect that he has made a suitable provision for payment of all taxes. Such a procedure may be followed even if the assessment is not completed.

XX. Bankruptcy and Winding up

39. As regards question 39, claim for taxes has always a prior or a preferential claim in liquidation and bankruptcy proceedings. We do not think that a Crown debt should have priority over other preferential debts such as wages to workmen and labourers, rent, etc. The existing provision in the Bankruptcy and Company Laws are sufficient. If Government fear that the amount of tax may be lost by liquidation and bankruptcy proceedings, they should provide sufficient machinery for completing assessment orders as early as possible and not allow the same to be hanging for 5 or 6 years.

40. As regards question 40, in a Bankruptcy or a liquidation of a Company, the official assignee or the liquidator is in law bound to invite claims and to investigate the same and admit or reject the same and it is the duty of the Income-tax authorities to put in such claims when so invited. If the Income-tax Authorities, however, do not file the claim in time, they are themselves to be blamed. If, however, in any case the liquidator or the official Assignee completes the insolvency or liquidation proceedings, without making provision for claims of income-tax authorities, then it is competent to Government to reopen the insolvency or liquidation proceedings in law. My Committee, therefore, are of the opinion that there are sufficient provisions in the company Law and the Insolvency Act against such a contingency.

XXI. Penalties

41. It is a fact that the provisions relating to the levy of penalties for failure to submit returns lead to arbitrary exercise of power. Instead of debarring the assessees from claiming statutory deductions the proper course would be to lay down graded scales of penalty providing for separate slabs of income and taking into consideration the stage at which and the circumstances under which the return was ultimately made either under Section 22(1) or Section 22(2). At present no penalty is levied in cases where voluntary returns of income are submitted before the end of the financial year during which they became due, but in other cases falling under Section 22(1) penalty is levied if the returns of income are filed after the close of the financial year in which they became due. According to the circular issued by the Central Board of Revenue, due cognisance is to be taken of the fact that the return was submitted voluntarily before the Department took any action. The principle of granting exemption from penalty requires to be extended to all cases, whether the return was submitted during the financial year or after the lapse of the financial year, the basic principle to be decided being whether the return was made voluntarily before the Department took any action. Voluntary submission of returns at any stage should be treated as a fit case for not levying any penalty in the matter.

42. The present provisions of the Act as to false returns are quite adequate and even under the present legislation the Income-tax Officers are invoking the penal provisions not only in cases where incorrect statements have been deliberately submitted but also in other cases where the inclusion of an item of income whether it is taxable or not may be a matter of opinion.

43. As regards question 43, conditions in India are quite different. Most of the assessees are not literate or at all events, not completely conversant with the complicated system of taxation and they naturally seek the aid of advisers, registered Accountants or lawyers in the matter of filling in returns. These persons are, within their own province, subject to the jurisdiction by the Bar

Council or the Accountancy Board. These persons act usually according to the instructions of the assessee. It may be that these instructions are false, dishonest or faulty and it will not be proper that these persons should be tried as abettors in case an offence has been committed. My Committee are, therefore, strongly opposed to creating a new offence of an abetment.

44. The answer to the question under this paragraph will depend upon the policy which the Central Government wants to let down in this behalf. If the policy of the Government is to provide for a deterrent and to have the person who has committed an offence convicted, no consideration of the compounding part or the penalty part of the matter arises. If the provisions in this behalf have to act as correctives, specified penalty amounts should be laid down with a maximum being provided and there should be no provision for prosecution and conviction. The power to compound in some instances does act in such a way that the Department tries to squeeze out as much money as it can, taking advantage of the fact that the person in question may not desire to face criminal proceedings.

45. Under the law, as it stands at present, penalty is levied on the difference between the amount of assessed income and the amount of income shown in the return of income, so that in respect of disallowables also an assessee has to pay the penalty. Further, the Chamber recommends that for the purpose of penalty proceedings the assessee should be entitled to prove his true income with a view to determine the maximum penalty leviable on such basis and not on the assessed figure. Of late there has been a tendency to impose penalty even on flimsiest grounds and in respect of items which are in dispute and in respect of which there would be difference of opinion. This can be stopped by a change in the attitude of the assessing officers and for this purpose executives directions should be given to the effect that the provisions of Section 28 should be invoked only in cases where there is a deliberate attempt to defraud revenue. The law may be suitably amended so that penalty is imposed in respect of items of income suppressed leaving out of consideration the disallowables.

XXII. Secrecy and Publicity

46. It should not be necessary to relax the provisions of Section 54 because the respective acts fully provide for a proper treatment of the cases referred to under item 1, 2 and 3 of this paragraph. Regarding the fourth case, it is open to the Department to summon the third person and take his statement of oath because on the assertion of the assessee the third person is the proper person who can be summoned and questioned under Section 37 of the Income-tax Act.

47. A general power to give wide publicity of the nature referred to in this paragraph is not desirable. There may be cases

in which big items may be involved as points of contention and in such cases the return of income would show a much smaller amount than the amount of income actually assessed. There are very rare cases in which conviction for income-tax purposes has been made.

XXIII. Appellate Procedure

48. It is absolutely necessary to provide for a right of appeal against an order of rectification because there are various cases in which the Department has actually applied Section 35 of the Act although Section 34 may be applicable and such a procedure has been adopted with the sole object of preventing the assessee from appealing against the prejudicial order. It is also necessary to provide for a right to the assessee to appeal against an order of the Appellate Assistant Commissioner refusing to extend the time for filing an appeal and dismissing an appeal as not filed in time. There are cases in which even a delay of a couple of days is not condoned and the Appellate Assistant Commissioners who have mostly adopted the simple course of confirming assessment to find at a technical flaw only an excuse with a view to dismiss the appeal as not filed in time.

49. Regarding the case of a non-resident assessee, the point is not one of practical importance because a non-resident who has no funds can be compelled to pay the tax and a non-resident who has no funds in the Indian Dominion may not be interested in filing an appeal. It is only in cases where he has funds or has continuous activity that he will have recourse to appeal proceedings and in such cases the Department has no reason to fear loss of revenue. The better course is to refuse time for payment of tax.

50. It is not right to enact in the statute itself that fresh evidence can be admitted in appeal only in cases in which the same could not have been produced before the Income-tax Officer even with due deligence and attention. This course is objectionable for the reason that during the assessment stage the Income-tax Officers have, in many cases, been found to act with a mental reservation and there is, therefore, no occasion for the assessees to meet their presumptions. It is only when the assessment order is received by the assessee that he finds the correct picture before him and that is the first stage at which the question of a proper consideration of the material evidence arises. The present provisions are quite in order in this behalf and any change on the lines suggested would preclude the assessees from adducing evidence when there was no occasion for them to adduce it at the assessment stage particularly so in cases where the Income-tax Officers act with mental reservations and do not reveal their minds fully to the assessee. As to the suggestion to put the onus on the appellant to show that the Income-tax Officer's order is wrong the position is that even under the present legislation the Appellate Assistant Commissioner puts the burden on the assessee in all cases. It is

not necessary to further restrict the scope of the appellant's rights by legislation as suggested.

51. To safeguard revenue in respect of liability of persons leaving the country, observations made above under paragraph 38 hold good for the question raised under this paragraph. As to the case of persons who fail in business and who are not in a position to pay, there can be no remedy and the law cannot provide for contingencies of this nature.

XXIV. Administration

(*a*) Income-tax Officers

52. The provisions of the Act are quite adequate for getting the necessary information.

(i) So far as the black market dealings are concerned, it would be impossible to check the evil unless steps are taken to develop civic sense and there is co-operation between Government and the consumers. Without the willing co-operation of society no Government can run merely on police methods. It is true that the black market operations went out of all proportion during the war period but this sort of atmosphere has been prevalent throughout the world and in other countries no steps have been taken to give more powers under the taxing statute for tackling black marketeers. In fact, it is outside the scope of the income-tax legislation that the black marketeer requires to be dealt with and if he is tackled under the ordinary law it would be very easy to deal with him under the taxing statute.

(ii) The power to enter business premises and inspect accounts is likely to be misused by officials and may give them one more handle for harassment in the hands of those officers and it is the honest assessee who is likely to suffer more on this account because the dishonest assessee would use all means to suppress records and keep them at other places and not at the place of business.

(iii) The power for searching places would also result in undue harassment of honest assessees because on mere suspicion officers who are over-enthusiastic would try to take recourse to such power in many cases.

(iv) The existing law provides for calling such information. My Committee are, therefore, opposed to the Income-tax officers being vested with enhanced powers for all or any of the matters mentioned in the question.

53. Total wealth statements should not be asked for from the assessees as, in the opinion of my Committee, it would lead to harassment.

54. (i) The recruitment of Income-tax Officers should be made from persons possessing legal and accountancy qualifications and preference should be given to persons who have a good grasp

of accounts. It is the experience of many practitioners that most of the officers do not follow accounts and they put questions which are difficult for assessees even to understand. Some of them also possess the habit of jumping at conclusions without considering the matter in a proper perspective. If service in the Income-tax Department is made attractive enough for a qualified lawyer or a qualified accountant, a better class of officials would be brought into existence. After recruitment the officers should receive theoretical training by holding regular lectures on taxation law, accounting and practice. They should also be given the training for examining accounts by senior officials.

(ii) The relations between the public and the Income-tax Department have become so strained that there is an all-round complaint about harassment meted out to assessees. There are very few cases in which it is found that the best of relations are maintained between the Department on the one hand and the assessee or the practitioner on the other. There is no reason why there should be bitterness in the collection of tax. No assessee minds making his proper contribution to the State, but he certainly objects to the method of collection. It will be better if the Commissioners of income-tax held regular meetings with lawyer and accountant practitioners to exchange views and to find out ways and means to have smooth proceedings. The service of qualified accountants have not been properly availed of and the respective Commissioners in charge of the different provinces can curtail a good deal of examination work if they had an agreed formula about the submission of statements with qualified accountants.

(iii) The assessee and/or his lawyer representative or the accountant representative is always anxious to give his fullest co-operation. There may be a few cases in which assessees adopt dodging tactics but generally assessees are always prepared to give the fullest co-operation to the Department. It has been the general experience of the assessees and their representatives that this co-operation is one-sided. There is no reason why the Department should also not reciprocate properly and if this is done there would be a proper incentive for the realisation of civic responsibility in the matter. The State cannot expect the citizen to realize fully the civic responsibility unless the State also gives contribution to the creation of that responsibility.

55. This is one of the very few items of a relief-giving nature mentioned by the Commission. Refund claims receive attention after the assessment matters are completed and it is also a fact that the provisions of Section 48 receive an unduly narrow interpretation. Unreasonable delay caused now could be done away with by executive instructions and by the provision in the statute that interest at a specified rate should run against the department if the refund claim is not settled within a year of the filing thereof. The scope of Section 48 should be so widened that it should cover

all cases of refunds and it should also provide for a refund where an apparent over-assessment has been detected within the time-limit of four years.

(*b*) Inspecting Assistant Commissioners

56. No mention is made by the Commission about the dissatisfaction which now obtains with regard to these officers. They are supposed to guide the Income-tax Officers in their work so that collection of revenue does not suffer but in actual practice they have exhibited a desire to interfere with the assessing work of the officer. The position has so deteriorated that the officer has lost all initiative and he has become more or less a machine to carry out the orders of his superior. In case of doubt, although the weight of evidence may be in favour of the assessee, not to court displeasure and leave things for disposal at high level the assessing officer decides against the assessee. This is certainly not natural justice. If the inspecting assistant commissioners as a class have found the officers to be incapable with regard to big assessments it is but appropriate that these senior officials should be put in charge of special circles where big assessments and complicated assessments would be dealt with. It is better to do away with this class of Assistant Commissioners because it has created a very difficult position and it has been responsible in an indirect manner for the bitterness which now exists. If this class of assistant commissioners is to be retained the position of the assessing officers should be made absolutely independent and a provision should be made for filing appeals against the orders of the officer so that the interest of the State may be properly safeguarded and at the same time the Income-tax Officer would have the fullest latitude to make an assessment according to his view in the matter.

The question of making a provision for the powers and duties of the Director of Inspection is of a similar nature and due consideration thereof should be made in the light of the observations made with regard to the inspecting assistant commissioners. His position is a bit different and he is not concerned with the day to day administration but is more concerned with matters of policy and about giving guidance in matters were important principles are involved. With this position obtaining it may not be necessary to make any statutory provision in this behalf.

(*c*) Appellate Assistant Commissioners

57. (i) The Appellate Assistant Commissioners must be removed from the control of the Central Board of Revenue and placed under the control of the Ministry of Law so that they can exercise their judgment without any reservation or fear. In the interest of justice, such Appellate Assistant Commissioner should not be empowered to increase assessments, as they have been

hitherto doing. In spite of assurance given by the Central Board of Revenue from time to time that the Appellate Assistant Commissioners are at full liberty to exercise their judgment, the appellants and their advisers have the experience of most of the appeals being confirmed for the simple reason that the appellate assistant commissioners who depend upon their promotions on the Central Board of Revenue do not have the inclination to go against the Department. In this view, my Committee are supported by the weighty observations of the judges of the several High Courts, including the Bombay High Court, particularly the observations of Sir John Beaumont in several decided cases in the Bombay High Court.

(ii) The present procedure of having two stages of appeal is very satisfactory and it is not desirable to do away with it as is now proposed. Attention is invited to the observations made above under paragraph 50 with regard to the question of adducing fresh evidence. If the present suggestion is accepted the result would be that in many cases proper evidence would be shut out and on technical grounds the appellant would lose a good case just because the assessing officer acted with a mental reservation and shut out proper evidence or did not bring it on record or did not give an opportunity to the assessee to bring it on record.

XXV. Rewards

58. The suggestion made under this paragraph is very objectionable. Without having informers, the Department has been giving undue importance to anonymous letters and one does not know to what extent blackmailing would find encouragement if the Department recognize informers and rewarded them.

59. The proceedings in an assessment case should be allowed to be completed by the officer holding the position although there is a change in the person who occupied that position. It should not be necessary or worthwhile to have a re-hearing in all cases but in cases where the assessee desires that he should have a re-hearing he should not be denied such opportunity. In fact, even from the point of view of the Department itself, the new Officer himself would like to get at the basic foundation of the matter so that he can dispose of the case properly.

XXVI. General

60. In view of great difficulties experienced by the assessees, as a result of they being not supplied with Assessment Copies along with the Assessment Orders, my Committee urge that such Assessment Copies must accompany the Assessment Orders.

My Committee would like to draw your attention to one more difficulty in regard to the carrying forward of losses. The present Act permits carrying forward of losses by the person who incurred the losses, whereas, in the event of his death, the same right is

not extended to the beneficiary. It is suggested that in all fairness and equity, the beneficiary also should be permitted to carry forward the losses incurred by the deceased. The Income-tax Act requires to be overhauled and simplified. A fuller consideration of this matter can be had if, as stated in the preliminary observations above, a special inquiry commission is appointed to go into the whole question in detail.

APPENDIX 23

Bill to Amend the Taxation of Income Investigation Commission Act, 1948

Letter No. 698, dated 6th March 1948, from Chamber to the Ministry of Finance, Government of India.

I am directed by the Committee of the Indian Merchants' Chamber to refer to Bill 4 of 1948 seeking to amend the Taxation on Income Investigation Commission Act, 1947, in certain respects and to send to you hereby their views and suggestions on the provisions contained therein.

From the Statement of Objects and Reasons appended to the Bill, my Committee note that in the opinion of Government the provisions in the Act passed last year are not adequate to enable the Investigation Commission to function effectively. While my Committee realise that the Commission must have the necessary powers which would enable them to discharge the work assigned to them in an effective manner, they would, at the same time, like to submit that the extended powers sought to be conferred are such as not likely to result in harassment to the assessees. The changes that they are hereinafter suggesting are mainly prompted by the above considerations.

Clause 3—Section 5 of the Act—Power of the Central Government to refer cases for investigation :

Under the powers vested in the Central Government by Section 5 of the Act as it stands at present, cases for investigation have to be referred before the 31st day of December 1947. The Bill seeks to provide for an extension of the date by three months. My Committee have no objection to the change. At the same time they would like to suggest that as this machinery was deemed necessary because of the exceptional circumstances, the Act should include definite and specific provisions limiting the life of the Commission and duration of the proceedings under the powers vested under the Act. Accordingly, it should be provided that the Commission shall cease to function after a period of three or four years from the date of their first appointment. If, however, subsequently it is found that the Commission should be allowed more time to complete their work in respect of the cases referred to them, the

Legislature may well be approached afresh for an extension of the period. By such a procedure, the Legislature will have an automatic opportunity of reviewing the progress made and deciding whether an extension in the life of the Commission will be justified or not.

Section 5 of the Act empowers the Central Government to refer to the Commission for investigation and report any case or points in a case in which the Central Government have *prima facie* reason for believing that a person has, to a substantial extent, avoided payment of taxation together with such material as may be available in support of such belief. The new sub-clause 2 sought to be added by the Amending Bill provides that no reference made by the Central Government in terms of the above powers shall be called in question, nor shall the sufficiency of the material on which such a reference has been made be investigated, in any manner, by any Court. The object of the change, according to Government, is to make it clear that the proceedings of the Commission shall not be challenged merely on the ground that there were no adequate materials when they commenced their investigation. Before the Commission takes up for investigation a case, they should be satisfied about the existence of a *prima facie* case. My Committee, therefore, suggest that a suitable proviso be added to Clause 3 to the effect that the Commission shall be entitled to take any case referred to them for investigation off the file if they feel that the material submitted by Government along with the reference is not sufficient to establish a *prima facie* case. While on this my Committee would also like to submit that the material on which a reference has been made to the Commission shall not be deemed to be adequate for a *prima facie* case unless new facts are established or unless the conclusions drawn from the facts previously submitted indicate definite evidence of misapplication of facts or law. In short, the facts proved and accepted should not be upset just because of a change of opinion in regard to the application of the provisions of the law. The Commission are expected to deal with cases of evasion and the preliminary test for a case being referred to and investigated by the Commission should be whether any new facts have been disclosed establishing a *prima facie* case about the existence of evasion.

Clause 4—Section 6 of the Act—Powers of the Commission :

Sub-clause 1 of Clause 4 provides that the Commission shall have power to require any person to prepare and furnish written statement of accounts and affairs. My Committee presume that the obligation to prepare and furnish such statement of accounts and affairs is to be confined to the person whose case is being investigated. It is, therefore, necessary to make this clear and the term " any person " occurring in the clause be changed to " a person whose case is being investigated ". Sub-clause 5 of Clause 4 empowers the Commission to close all further proceedings and

to draw up a report on the basis of an adverse inference against an assessee who refuses to co-operate with the Commission. The provision is analogous to Section 23(4) of the Indian Income-tax Act and is expected to lead to a best judgment assessment. Even in such cases, before any penalty is levied, the assessee should be entitled to have an opportunity of making a return of his real income so that the penalty proceedings consequent upon the report by the Commission shall be based on the position as disclosed by such a return.

Sub-clause 7 of Clause 4 provides that the evidence gathered by *ex parte* enquiries " may " be brought on record at such stage as the Commission may think fit. My Committee suggest that the evidence in question should be brought on record before any proceedings in connection with the case are initiated. Further, the word " may " be substituted by the word " shall " so as to make the bringing on record of the evidence obligatory.

Sub-clause 8 of Clause 4 authorises an official of the Income-tax Department to visit any building or premises for the purpose of taking extracts and copies of accounts and documents. My Committee submit that the exercise of the above powers should be conditioned by two safeguards, firstly, the person empowered for the purpose should be a judicial officer ; alternatively the officer selected should not be below the rank of an Inspecting Assistant Commissioner and should not have been previously concerned with the case. Secondly, the power to visit premises as the clause stands at present, can be exercised at all reasonable times. The term " reasonable time " is not definite and in order to avoid any vexatious use of the powers, it is suggested that the term should be further qualified by the addition of the words " during office hours ".

Clause 5, Section 7—Procedure of Commission :

The amending clause among other things provides that the Commission may act notwithstanding a vacancy in the number of the Commissioners. My Committee feel that at no time the Commission should act when the number of Commissioners is less than two. A proviso to this effect may be added in sub-clause 1.

Sub-Clause 3 : It is provided that a person whose case is being investigated may be represented before the Commission by a Pleader. My Committee presume that the term " pleader " is intended to cover any one who is authorised to, or pleads on behalf of another. In accordance with the recognised practice in force in regard to appearance before the Income-tax Appellate Tribunal, my Committee suggest that the person should be entitled to be represented by a lawyer or a Registered Accountant and/or both. Sub-clause 4 further provides that the Commission and after the dissolution of the Commission such authority as may be authorised may allow inspection and furnish copies of documents produced before the Commission to any person. My Committee submit that

none other than the person whose case was being investigated by the Commission should be entitled to such inspection and to be provided with copies of any documents. Therefore, the term " any person " occurring in the last line should be modified so as to read " the person whose case was being investigated."

Clause 6 : Sub-clause 1 provides that only the Majority Report of the Commission shall be submitted to Government. My Committee submit that any such attempt to suppress Minority Report is not fair. After all, on questions of law there is an appeal from the findings of the Commission and the conclusions in the Minority Report may disclose grounds for appeal. It is, therefore, necessary that both the Minority and Majority Reports shall be submitted, although for purposes of further action the decision of the Majority Report will be deeemed to be effective.

Under sub-clause 6 of Clause 6, the Commission and after the Commission cease to exist, the Commissioner of Income-tax will have powers to rectify clerical mistakes and omissions apparent from the records. The term " clerical or arithmetical mistakes " is very restrictive and instead my Committee suggest that the provision should be suitably changed to include all obvious mistakes borne out by the records of the case.

It must also be provided that the Commission should not be entitled to call for statement of accounts and for cases or to make a report to the Central Government for investigation of fresh cases not previously submitted after 31st March 1950. In short, commencement of proceedings under the powers vested by the Act should in any case definitely end by March 1950.

APPENDIX 24

Bill further to amend the Indian Income-tax Act, 1922, and the Business Profits Tax Act, 1947

Letter No. 2176, dated 8th July 1948, from Chamber to the Ministry of Finance, Government of India.

I am directed by the Committee of the Indian Merchants' Chamber to refer to the Bill further to amend the Indian Income-tax Act, 1922, and the Business Profits Tax Act, 1947, introduced in the last session of the Constituent Assembly of India (Legislative) and to submit their views on some of the important clauses thereof as under :

BILL FURTHER TO AMEND THE INDIAN INCOME-TAX ACT, 1922

Clause 7—Insertion of new Section 33(*b*)—Power to revise Income-tax Officer's Orders :

The Amending Bill proposes to empower the Commissioner to revise the order of the Income-tax Officer if it was found to be

erroneous and prejudicial to the revenue of the State. The assessee is granted under the amendment a right of appeal to the Tribunal and the limitation provided for the exercise of the right is 2 years from the date of the order. My Committee are opposed to the revisional powers being conferred on the Commissioner, as the Commissioner was an aggrieved party and could not be placed in a position to act as judge in his own case. He should, however, be entitled to prefer an appeal to the Appellate Tribunal.

Clause 8—Amendment of Section 34 of the Act :

Under the amendment, the Income-tax Department can now start proceedings to deal with escaped or under-assessed income " for any reason " which may not necessarily mean that there was any discovery of any definite information obtained by the Income-tax Officer. Explanation has been added to provide in effect that merely the fact of information being produced and noted by the Income-tax Office would not prevent re-opening if the Income-tax Officer had not duly apprehended or appreciated the evidence before him. If it could be shown that there had been no escape of total income, proceedings might be dropped. The assessee, however, could not call for re-agitation of matters once decided. The previous Section has been substituted by an entirely new one, it is presumed, with a view to give wide powers to the Income-tax Department to re-open assessments made in the case of dishonest assessees who should be brought within the clutches of law. While my Committee share the anxiety of Government that every effort should be made to prevent evasion of payment of income-tax legitimately due, it was at the same time essential to ensure that in the anxiety to prevent evasion of tax, the provisions in the law were not such as were likely to result in harassment to *bona fide* assessees. It would not be out of place here to make a reference to the genesis of the provisions in that section. Before the Indian Income-tax Act was amended in 1939, the corresponding section provided that " if for any reason income, profits or gains chargeable to income-tax has escaped assessment in any year or has been assessed at too low a rate, the Income-tax Officer may . . . proceed to assess or re-assess such income. . . ." The provision in the above form had vested in the Income-tax Officer wide powers and there were complaints that the said powers were being used capriciously. It was the common experience of the assessees that very often cases were re-opened as a result of changes in the personnel in the Income-tax Office just because the succeeding Officer did not share the view of the case on which his predecessor had based his assessment. The Section was also being invoked on mere suspicion. The Income-tax Enquiry Committee Report, 1936, also emphasised " the necessity of having fresh evidence before taking action under this Section ". At the time of the consideration of the Income-tax Amending Legislation of 1938, the changes proposed to be effected in the wording of the provision

in Section 34 were in the direction of making it more clear and precise with regard to the scope of the powers vested in the Officers and requiring that such powers should be circumscribed as to protect the assessees against anything in the nature of an inquisition at the instance of the Department founded on mere suspicion rather than on positive material. While commenting on the Bill, my Committee had even then suggested that the assessee should not be left to the mercy of the Income-tax Officer just because in the latter's opinion the income had escaped assessment. Subsequently, however, the point was fully gone into at the Select Committee stage and as a result of the discussions and decisions in the Select Committee the section worded in its present form was placed before the House as an amendment on behalf of Government and was accepted. The views expressed by non-official members at the time of the discussion of the clause on the floor of the Assembly specifically made clear that members of the Legislature were keen on safeguarding the position of the assessees in two directions, viz. that the grounds for the re-opening should be definite and precise and that the examination should be restricted on those grounds. The then Finance Member, Sir James Grigg, in supporting the Government's amendment, observed that it was put in because a great many fears were expressed that under the clause as worded even after it left the Select Committee, a fishing enquiry without any sort of information whatever was possible for the Income-tax Officer. In fact, with a view to stop " the Income-tax Officer from making purely fishing enquiries with no basis at all ", he further agreed to qualify the word " information " by the addition of a condition that such information should be " definite ". It will thus be observed that the intention of the Legislature was that the Income-tax Officer should be entitled to re-open an assessment only on the basis of definite information about escapement.

My Committee would like to refer to their remarks made in their representation to the Income-tax Investigation Commission in respect of paragraph 10 of the said memorandum on the recommendation of the English Committee on the codification of the Income-tax Law in that country permitting cases being re-opened if the Inspector " comes to the conclusion that any income which ought to have been assessed has escaped taxation ". The Committee had then submitted that the above recommendation had not still been implemented in the United Kingdom ; although the U.K. Act was amended in 1942 and 1945, His Majesty's Government had not taken any action on this recommendation uptill now. In paragraph 10 of the said memorandum a further reference was made to the Australian Income-tax Act, 1936, whereby the amendment of an assessment was made dependent on whether or not the taxpayer had made " a full and true disclosure of all the material facts ". While the Income-tax Investigation Commission impliedly referred to sub-sections (1) and (2) of Section 170 of the Australian Act, which provide for re-opening of cases where dis-

closure was not made by the assessee, they did not refer to sub-section (3) of the said section which definitely provides for finality of an assessment. If there was no finality in the assessment once made, it would be difficult for the assessees to adjust their affairs for the subsequent years. My Committee are of opinion that the powers vested in the Department under the provisions of the Section as it stands at present are adequate to safeguard the interests of public revenue against any act of omission or commission by the assessee. They, therefore, oppose the amendment to Section 34.

Clause 9—Amendment to Section 46 :

Power is taken under this amendment to issue notice of attachment on funds of the assessee for recovery of tax and penalty. The Committee were of opinion that the Income-tax Officer should have only the power to issue a prohibitory order against any person who held or might subsequently hold money for or on account of the assessee and that it should be left to the collector by suitable proceedings under the existing Section 46 to realise monies in execution of the assessment order. They will have no objection if the Income-tax Officer may issue an order for attachment before judgment for such money. They, however, feel that the realisation in pursuance of such an order should be left to the collector by adopting suitable proceedings. The above change is suggested in view of the fact that the Income-tax Officers may in many cases issue notices upon any persons who may be outsiders and thus such may result in harassment to them. In the alternative, it is suggested that the person on whom such a notice is served should be entitled as of right to apply to the collector for revocation or for cancellation of such notice on the ground that such a person has no moneys to the credit of the assessee or that the notice issued by the Income-tax Officer is otherwise illegal.

AMENDMENT TO THE BUSINESS PROFITS TAX ACT, 1947

Clause 13—Amendment to Section 2 :

After sub-clause (8), (8)(*a*) is proposed to be added, according to which directors' remuneration shall now expressly include remuneration paid to a director in any capacity other than the capacity of director. My Committee are opposed to the addition of the sub-clause.

Sub-clause 18 as substituted defines " working partner " of a firm as a partner thereof who has during not less than half of the chargeable accounting period worked full time in the actual management of the conduct of the business of the firm. My Committee are of the opinion that the original clause is sufficiently operative for the purpose.

Clause 14—Amendment to Section 9 :

The Section deals with the aggregation of profits in certain cases in respect of individuals entitled to profits arising from more

than one business of which at least one is carried on by a firm in which such individual is a partner. The amendment seeks to bring under the section Hindu undivided family also. There is also a proviso that such individual or Hindu undivided family shall not be treated as working partners. My Committee are opposed to the incorporation of Hindu undivided family in the amendment to the Section.

My Committee hope that the observations made herein will receive the earnest consideration of Government.

APPENDIX 25

Rules framed by Government under Section 10 of the Taxation on Income (Investigation Commission) Act as Modified by the Amendment Act XXIII of 1948

Letter No. 2163, dated 7th July 1948, from Chamber to the Ministry of Finance (Revenue Division), Government of India.

I am directed to refer to the Income-tax Notification No. 30, dated 8th May 1948, regarding the above. My Committee have considered the rules framed by Government under the above notification and would like to invite attention to Rules 8(1), 8(3) and 8(7) which, in their opinion, require modification.

Rule 8(1) : In connection with this rule, attention of Government is invited to sub-section 9 of Section 6 of the Taxation on Income (Investigation Commission) Amendment Act, 1948, wherein it is provided that subject to any rules made in this behalf to the Act, any authorised official shall at all reasonable times have full and free access to all books, documents and other papers, which, in his opinion, are relevant to the proceedings in any case or cases under this Act and if specially authorised in this behalf by the Commission, to any buildings and places where he may have reason to believe that such books, documents or papers may be found and he shall have power to place identification marks on such books, documents or papers and to make extracts or copies thereof or if he considers it necessary, to take possession of or seize such books, documents or papers. It will thus be seen that the authorised official, with the special authority of the Commission, may enter any building or places wherein he has reason to believe that books, documents or papers are lying.

By Rule 8(1) it is provided that the Commission may by a written order signed by the Chairman or a Member or Secretary to the Commission authorise an authorised official to enter buildings and premises. My Committee suggest that in fairness to the assessees, the written order should be signed by the Chairman or a Member of the Commission only and not by the Secretary, as it

is understood, that the Secretary of the Commission is one of the Income-tax Officers.

Rule 8(3) : The rule provides that where any person is reasonably suspected of concealing about his person any article for which search is being made, such person may also be searched by the authorised official with such assistance as he may consider necessary. If such a person is a woman the search shall be made by another woman with strict regard to decency. My Committee would like to observe in this connection that there is no provision in the Act itself by which the search of the person can be made by the authorised official and as such, the rule is *ultra vires* of the Act and cannot be enforced. My Committee have strong objection to the incorporation of the same in the body of the rules.

Rule 8(7) : The rule provides that when any person is searched under sub-rule 7, a list of all things taken possession of shall be prepared and a copy thereof shall be delivered to such person on his request. The copy shall also be forwarded to the Secretary of the Commission. In the opinion of my Committee this rule is also *ultra vires* on the same ground as above.

My Committee request that Government will be pleased to consider their above objections and make necessary modifications in the Rule 8(1) as also delete Rules 8(3) and 8(7).

APPENDIX 26

Income-tax Appellate Tribunal—Composition of

Letter No. 116, dated 13th February 1948, from Chamber to the Legislative Department, Government of India.

I am directed to acknowledge receipt of your letter No. F.41/47-I.T.A.T. dated the 25th August 1947 on the above subject. My Committee note that the appointments to the posts of Accountant Members of the Income-tax Appellate Tribunal are made through the Federal Public Service Commission who are not precluded from selecting an officer of the Income-tax Department to fill such posts when a vacancy occurs. You lay stress on the proviso to sub-section 3 of Section 5-A of the Act whereunder provision is made for the selection of suitable and experienced officers of the Income-tax Department as Members of the Tribunal. My Committee have considered your above reply to their rquest that non-accountants may not be appointed as Accountant Members of the Income-tax Appellate Tribunal and feel that Government are not prepared to follow their point of view in regard to such appointments. Their main objection to the appointment of the officers of the Income-tax Department to such posts was that however much the officer of that Department might strive to become impartial the departmental bias acquired during his official career would consciously or otherwise be carried with him. It was also with a

view to ensure adequate number of Accountant Members on the Tribunal that they felt that the appointment of additional members from the Income-tax Department on the Tribunal would frustrate the purposes for which the Tribunal was appointed. Your stress on the proviso to sub-section 3 of Section 5-A which justifies such appointments are not in keeping with the spirit of the main requirements that the Tribunal should consist of an equal number of judicial members and accountant members. While conceding that one ex-employee of the Income-tax Department may have a place on the Tribunal, another such appointment over and above the one member already on the Tribunal would vitiate in their opinion the impartial and judicial character of that body. Successively three appointments of Accountant Members from the Income-tax Department should obviously lead to the apprehension that Government do not want to adhere to the spirit of the assurance which was given at the time of the discussion of the Income-tax Bill in the Legislative Assembly. My Committee, under the above circumstances, would emphasise that any further selection from the Income-tax Department for filling up a post on the Tribunal would militate against the aims and objects and function of the Tribunal. My Committee still believe that Government will bear in mind the various objections to any further filling up of such posts by the employees of the Income-tax Department and reconsider any decisions they might take in that regard.

Letter No. F.54|57-I.T.A.T., dated 20th January 1948, from the Ministry of Law, Government of India, to Chamber.

With reference to your letter No. 116 dated the 13th January 1948, on the subject noted above, I am directed to state that the point urged by your Chamber will be brought to the notice of the Federal Public Service Commission at the time when selection is made by it to fill a vacancy of Accountant Member of the Income-tax Appellate Tribunal.

APPENDIX 27

Capital Gains—Inclusion of—for purposes of applying Sec. 23A of Indian Income-tax Act

Letter No. 40, dated 7th January 1948, from Chamber to the Central Board of Revenue.

I am directed to draw the attention of the Central Board of Revenue to the hardships experienced by assessees as a result of treating Capital Gains in line with other incomes for purposes of Sec. 23(*a*) (i), which, in the opinion of my Committee, works out greatly to the disadvantage of the assessees. An illustration would explain better the point, which the Committee would like to make out :

	Rs.
Total Income assessable	46,523
Deduct Income-tax and Super-tax payable	15,813
Nett total income available for dividends ...	30,710

The total income of Rs. 46,523 is made up of Rs. 10,194 Business Profits and Rs. 36,329 Capital Gains. Under the above illustration if Capital Gains were included as assessable income, then the Company would have to distribute Rs. 18,426 under the Section which would be 60 per cent of the Rs. 30,710 being the total income available for dividends.

It will be observed that the above works out very unfairly, as when there may be a Capital Loss in a subsequent year the same would not be taken into consideration and the Company would be compelled to declare a 60 per cent dividend out of the Business Profits without being allowed a set-off of Capital Loss.

My Committee request that Government will consider the hardships arising out of the application of the above Section to Capital Gains and exclude the same for purposes of declaring dividends within the scope of Section 23(*a*) (i).

Letter No. C.52(13)-IT/47, dated 11th March 1948, from the Central Board of Revenue to Chamber.

With reference to your letter No. 40 dated the 7th January 1948, I am directed to say that the Board see no force in the plea that capital profits should not be taken into account in determining whether Section 23A is applicable or the view that even if taken into account they should not be deemed to have been distributed for the purposes of inclusion in the total income of the shareholders and their liability to super-tax. There is no prohibition in the Companies Act Against distributing dividends out of Capital Profits. Even if Section 23-A were not applied, they would in the final distribution or liquidation be treated as " dividend " under Section 2(6A).

As regards the setting-off of capital losses, though such losses cannot be set-off against ordinary profits, they will be taken into account in determining whether Section 23-A should be applied to a Company or not.

Letter No. 3596, dated 27th December 1948, from Chamber to the Central Board of Revenue.

I am directed to invite a reference to the previous communication on the above subject ending with Board's letter C. No. 52(13)-IT/47 dated the 11th March 1948.

2. My Committee have examined the issue further in the light of the observations contained in the above communication from the Board. They, however, do not feel convinced of the

point of view taken by Government. There is an essential difference between Public Limited Companies and Private Companies in so far as Capital Gains are concerned. In the case of Public Limited Companies, there is no compulsion by law for distributing the profits as represented by the Capital Gains ; in the case of Private Companies, however, Section 23A makes it obligatory on the companies in question to distribute the prescribed proportion of the profits. My Committee are, therefore, strongly of the view that Government will be good enough to reconsider this issue and agree to exclude Capital Gains for purposes of Section 23A of the Act.

3. If, however, Government, after reviewing the matter, are inclined to adhere to their view that such Capital Gains should be taken into account in determining whether Section 23A is applicable, my Committee would submit that such capital profits should at any rate be deemed to have been distributed for purposes of inclusion in the total income of the shareholders and the shareholders should not be liable to super-tax on the same. It may be pointed out that the rate applicable for purposes of Income-tax does not apply for purposes of Capital Gains Tax ; Capital Gains are taxed at a different rate. Again, in the case of an individual, any profit accruing to him by the sale of capital asset is not, in his hands, subject to super-tax ; on the same basis, income in the shape of Capital Gains accruing to a person as a shareholder in a Private Limited Company should not be subject to super-tax in his hands.

4. My Committee request that the Board will be good enough to consider the above points favourably and to issue the necessary instruction in the matter.

APPENDIX 28

Revision of Rule 29 of the Appellate Tribunal Rules in respect of Additional Evidence

Letter No. 1877, dated 9th June 1948, from Chamber to the Ministry of Law, Government of India.

I am directed to refer to the correspondence my Committee had with the President, Income-tax Appellate Tribunal, Bombay, in regard to the difficulty experienced by the assessees as a result of the change in the procedure relating to admission of fresh evidence in respect of appeals before the Income-tax Tribunal. In their letter No. 2287 dated 22-8-46 addressed to the President, Income-tax Appellate Tribunal, Bombay, the Committee drew attention to the revised Rule 29, under which the parties to the appeal were not entitled to adduce additional evidence either oral or documentary before the Tribunal. Previous to the revision of the Rule, the assessee was privileged to produce such fresh evi-

dence at the Tribunal stage. The Committee had then pointed out that " if the admissibility of fresh evidence before the Tribunal was prevented because of the fact that such evidence was not tendered initially at the time of the proceedings before the Appellate Assistant Commissioner, the opportunity for full review of the facts of the case at the stage of the proceedings before the Tribunal will be denied and lost." It was also stressed that as the Tribunal was the final fact-finding authority, the assessees should not be prevented from placing before the Tribunal a fair and full treatment of their point of view by any technical limitations under which the Tribunal worked. They had also then invited the attention of the Tribunal to the right of appeal which was provided against the decisions of an Income-tax Officer under Sec. 23(4) in which context the right of appeal would be reduced to a mere formality under the Section, if the admissibility of fresh evidence was categorically disallowed. The Registrar, Income-tax Appellate Tribunal, in his reply dated 7th September 1946 intimated the Committee that the Tribunal proposed to make the following Rules :

> " 37-E. The parties to the appeal shall not be entitled to produce additional evidence either oral or documentary before the Tribunal ; but if (i) the Tribunal requires any document to be produced or any witness to be examined or any affidavit to be filed to enable it to pass orders ; or for any other substantial cause or (ii) the Income-tax Officer has decided the case without giving a sufficient opportunity to the assessee to adduce evidence either on points specified by him or not specified by him, the Tribunal may allow such document to be produced, or witness to be examined or affidavit to be filed or may allow such evidence to be adduced."

My Committee regret that the Tribunal could not accept their view in regard to the admissibility of fresh evidence in case of appeals before the Tribunal. Recently, my Committee have received fresh representations urging that if the primary rights of assessees in regard to appeals at the Tribunal stage were to be respected, Rule 29 should be amended and that the previous practice of allowing assessees to adduce fresh evidence at the Tribunal stage should be restored. They have re-examined the pros and cons of the whole question of the right of the assessees to adduce fresh evidence at the appellate stage and feel that the analogy of the practice prevailing under the Civil Procedure Code could not justifiably be applied to proceedings in respect of determining assessments under the Income-tax Act. My Committee are firmly of the opinion that so far as the assessment proceedings under the Income-tax Law are concerned, the objective should be a fair and just assessment which could leave no doubt in the minds of the assessees that any technical limitation prejudiced their cases. It might naturally happen that some important evi-

dence might have been left out at the original stage through inadvertence or through the ignorance of the assessees, which might prove a useful link in the determination of correct assessment. Besides, the assessees generally could not afford to engage expert advisers at original stage, as a result of which proper presentation of their case embodying all possible evidence substantiating the position of the assessees might not be possible. My Committee hope and trust that Government will be pleased to re-examine the question of the right of the assessees to adduce fresh evidence before the Income-tax Tribunal and restore to them the right which they previously exercised.

APPENDIX 29

Interpretation of Clause 4 of Sub-Clause (*a*) of Section 4(*a*) of the Indian Income-tax Act—Determination of a Resident or Non-Resident

Letter No. 115, dated 13th January 1948, from Chamber to the Central Board of Revenue.

I am directed to draw the attention of the Central Board of Revenue in regard to the interpretation of the above Section which has been causing of late difficulties in the matter of determination of a resident or non-resident for the purposes of the Act. Under the Section originally three tests were provided. A new test was, however, inserted by the Amending Act of 1941 to the effect that if the Income-tax Officer was satisfied that an individual having arrived in British India during a particular year was likely to remain in British India for not less than 3 years from the date of his arrival he may be considered as a resident in British India in that year and subsequent years of his residence in British India. The Clause was specifically introduced for removing hardships in case of individuals who come to reside in British India for a period of years and who are incidentally treated as non-residents in the year of their arrival. The clause also obviated a difficulty in case of residents who departed from British India early in the financial year. It would be observed that the introduction of this clause had a specified purpose as stated above. It should, however, be pointed out that the interpretation made by the Income-tax Department of the clause defeats the purpose for which the same was enacted. It has been represented to my Committee that the Income-tax Department applies the provision of this clause in case of assessees who may have been declared non-residents by the first three tests and who would still wish to be treated as non-resident. There is no particular reason why the Income-tax Department should apply the fourth qualification in cases of individuals who may have been declared non-residents under the three tests and would still like to be treated as non-residents. Such a practice on the part of the Officers is proving a hardship in cases

of individuals who are obviously non-residents whereby certain income which was not taxable being the income of a non-resident was sought to be taxed by determining such individuals as residents.

My Committee have examined the difficulties arising out of the practice followed by the Income-tax Department and would like to draw the attention of the Board that the clause having been introduced to obviate certain cases of hardships should be applied where circumstances require such application. They suggest that the clause should be made applicable only at the instance of the assessee. It is urged that the Board will consider the above aspect and will issue necessary instructions to the Income-tax Officers to abide by the provisions of the Section as intended by the Legislature.

Letter No. 4(10)-IT|48, dated 23rd June 1948, from the Central Board of Revenue to Chamber.

With reference to your letter No. 115 dated the 13th January 1948, regarding the interpretation of clause (iv) of Section 4A(*a*) of the Indian Income-tax Act, I am directed to say that the Board have given very careful consideration to the matter but regret that they cannot accept the Chamber's suggestion that clause (iv) should be made optional so as to be applicable only at the instance of the assessee. It will, doubtless, be appreciated that the operation of the law cannot be left to the option of the person concerned.

I am to assure you, however, that the clause where applicable will be applied having regard to all the facts and circumstances of each case. If there should result any hardship in any case owing to the misinterpretation or misapplication of the clause, it would be open to the assessee to pursue the legal remedies available to him by way of appeal, etc.

I am to express regret for the delay in replying to your letter.

Letter No. 2317, dated 21st July 1948, from Chamber to the Central Board of Revenue.

I am directed to acknowledge the receipt of your letter No. C.4(10)-IT/48 dated the 23rd June 1948 re : above informing my Committee that your Board were unable to accept this suggestion, viz. that clause 4 should be made optional with a view to make it applicable only at the instance of the assessee. While they note that the clause will be applied with due regard to all the facts and circumstances of each case, they feel that the subject-matter of the difficulty represented by my Committee in their communication remains unsolved. As the Board are aware, the clause was introduced for giving relief in case of individuals who came to reside in British India for a period of years and who were incidentally treated as non-residents in the year of arrival. It would be wrong on the part of the Department to apply the provision of this

clause in case of assessees who may have been declared non-residents by the first 3 tests and would still like to be treated as non-residents. The application of the fourth test in such cases was not justified for bringing such cases within the classification of residents for purposes of assessment. As the clause was introduced only with a view to meet certain cases of hardship, if the present practice of applying the clause is continued, the purpose for which the clause was introduced would be frustrated by bringing as stated above a class of non-residents in the classification of residents whereby certain income which was not taxable in law by their being non-residents, will be made taxable.

My Committee request the Central Board of Revenue to reconsider the request of my Committee that the clause should be made applicable only at the instance of the assessees.

Letter No. 4(10)-I.T./48, dated 12th August 1948, from the Central Board of Revenue to Chamber.

In reply to your letter No. 2317 dated the 21st July 1948, I am directed to say that as the law stands it has to be applied where applicable but not at the instance of the assessee.

APPENDIX 30

Rule 8 of the Indian Income-tax Rules governing Depreciation

Letter No. 617, dated 1st March 1948, from Chamber to the Central Board of Revenue.

The attention of my Committee has been drawn to Notification No. 2 published in Part I of Government of India *Gazette* dated 17th January 1948 containing the draft amendments proposed to Rule 8 of the Indian Income-tax Rules. The Rule, as it stands at present, provides that the allowance for depreciation, under Section 10(2) (vi) of the Indian Income-tax Act, shall be made in accordance with the rates prescribed irrespective of the fact whether the asset concerned had been worked or had been in operation during the full period of the year for which assessment is made. The change suggested in the amendment under discussion seeks to provide that depreciation shall be calculated on a monthly basis according to the period for which the fixed assets have been used or have been in operation. My Committee are unable to appreciate the need for the change involved in the amendment.

It may, in this connection, be recalled that so far as new buildings and new plant and machinery or extensions to buildings and additions to plant and machinery are concerned, Government found it desirable from 1946 to provide a special initial depreciation allowance of 10% on buildings and 20% on machinery. This was intended to be in the nature of a relief to industry, obviously to offset, to some extent, the comparatively higher costs incurred in

recent years in putting up or extending buildings and in acquiring new plant and machinery. The extent of the relief is now practically being sought to be curtailed by the proposal in the draft Notification designed to relate the allowance of depreciation to the actual period of use. My Committee strongly feel that Government should not, having regard to the high level of costs prevailing now, take any step, which will in any way reduce the basis of relief by way of depreciation now allowable under the Rule, as it stands at present.

If, however, Government insist that some modification based on the period of actual use is inevitable, my Committee would suggest that for buildings, machinery and plant, which have been actually in use for less than three months in the year for which the assessment is being made, depreciation at half the prescribed rates be allowed ; for periods of three months and over, the full annual rate of depreciation should be continued.

Incidentally, my Committee would like to point out that the procedure of calculating depreciation on a monthly basis would involve laborious calculations to determine the depreciation on additions to assets made periodically from time to time.

My Committee may further point out that in so far as buildings, machinery, plant or furniture, which have been in existence for the full year, are concerned, the proposal to relate the rate of depreciation to the actual period of work or use assumes that when such assets are not actually in use, they are not subject to depreciation. My Committee venture to point out that this assumption is unjustified by the actual realities of the situation. Expert opinion on this matter, on the other hand, is definite that buildings, plant and machinery depreciate equally, if not more, when idle or not actively used. Spasmodic working or irregular working is accepted as a factor leading to increased wear and tear and from that point of view also, Government's proposal to limit depreciation with reference to the actual period of working is not in keeping with the realities of the situation.

My Committee, therefore, earnestly request that Government will be good enough to abandon the proposal for change in the Rule on the lines indicated in the Draft Notification.

APPENDIX 31

Allowance of Expenses incurred on visits to foreign countries in assessing business Income

Letter No. 2784, dated 4th September 1948, from Chamber to the Central Board of Revenue.

I am directed to invite your reference to the correspondence on the above subject ending with the Board's letter C No. 27-IT/46 dated 19th May 1948. It may be recalled that the Committee

of my Chamber in their letter No. 910 dated March 23, 1948, had submitted that instructions be issued to the Income-tax Officers to the effect that expenditure incurred in promoting, sponsoring or sending out trade, industrial or professional delegations for purposes of a collective character should be treated as expenses coming within the purview of Section 10(2) of the Indian Income-tax Act. The Board in their letter dated 19th May in reply observed that as no definite material had been placed before them to show that Income-tax Officers had failed to carry out the provisions of the Act they did not consider it necessary to issue any general instructions on the subject.

In this connection an instance has been brought to the notice of my Committee in which expenditure incurred by a member-Company in deputing the Managing Director of that company to visit foreign countries as a member of a technical delegation has been disallowed by the Income-tax Officer. The facts may be briefly stated : The company in question, viz., Messrs. Chemical, Industrial and Pharmaceutical Laboratories Ltd., generally known by the abbreviated name " CIPLA " is a member of the Indian Chemical Manufacturers' Association, Calcutta. The Association with the approval of the Government of India in the Department of Industries and Supplies sent out a delegation in 1945-46 consisting of chemical and pharmaceutical manufacturers to the United Kingdom and U.S.A. for studying technical processes, scientific development, etc. as also to make contacts with chemical plant and machinery manufacturers. On behalf of CIPLA the Managing Director of the company Dr. K. A. Hamied went as a member of the Delegation. As he also happened to be the President of the Indian Chemical Manufacturers' Association during that period he was appointed Leader of the Delegation. The Delegation on their return submitted a detailed report to the Government of India on matters relating to the chemical industry based on the information and the experience gathered during the course of the visit.

Apart from the collective advantage to the industry as a whole the visit also resulted in direct benefits to the Individual undertakings, the representatives of which composed the delegation. The representatives gathered valuable knowledge and information about methods of manufacture and about the changes that had taken place during the last few years both from the technical aspect as also from the practical standpoint. In the case of the CIPLA the Managing Director, who was a Member of the Delegation, during the visit placed orders for machinery for their programme of expansion. A good part of the said machinery has already reached this country thereby assisting the growth of the industry and incidentally increasing the productive resources of the country as a whole. Moreover, the contacts established during the visit has been found to be very valuable by the undertaking. The discussions at conferences with representatives of foreign manufacturers, during the course of which the representatives had opportu-

nities of exchanging views on diverse matters relating to the manufacturing and business activities with representatives of almost all the important chemical and pharmaceutical undertakings in those countries, were certainly of invaluable assistance to the chemical industry of India collectively as also to the undertakings represented by the individual members. So far as the individual members are concerned the knowledge obtained as a result of the visit, my Committee understand, is being constantly applied for promoting the progress of the individual units in this country.

Having regard to the foregoing considerations it is quite obvious that the visit of Dr. K. A. Hamied as Member of the Delegation to foreign countries was for the purpose of the business of the company to which he belongs and as such it is reasonable to expect that the expenditure incurred in connection therewith would be treated as expenses for the purpose of the business and allowed under Section 10(2) of the Act as an item of admissible expenditure. My Committee request that the Central Board of Revenue would be pleased to look into the matter and in the light of the facts stated above issue necessary instructions to the Income-tax Officers so that expenses incurred on visits to foreign countries are allowed for purposes of taxation.

APPENDIX 32

Exemption on Account of Donations for Charitable Purposes

Letter No. 2549, dated 16th August 1948, from Chamber to the Central Board of Revenue.

The attention of my Committee has been drawn to the amendment of Indian Income-tax Act, 1922, under Clause 8 of Act XX of 1948 giving effect to the financial proposals of the Central Government for the year 1948-49. My Committee refer to the insertion of Section 15(B) re : exemption on account of donations for charitable purposes. Under the new section, it has been provided that any sums paid as donations to any institution or fund established in British India for a charitable purpose and approved by the Central Government will be treated as allowable expenses for purposes of income-tax. It has, however, been stipulated therein that the total of the sum so paid should be not less than Rs. 250. My Committee would like to point out in this connection that Government having once accepted the principle of exempting donations to approved charities from income-tax, it is not fair that the sum to be so allowed should be limited to donations of Rs. 250 and above. If the relief that is sought to be given under this Section is to be made real and effective, the same should be extended to all donations irrespective of the amount. It may be mentioned here that the majority of the people of India belong to the small income group and if the exemption under the Income-tax

Act in respect of donations to approved charities is limited as above, the common man will not be enthused or encouraged to contribute his small mite to recognised charities. My Committee would, therefore, request Government to consider the above aspect and to make necessary amendment in the Indian Income-tax Act so as to allow all donations of any amounts even if less than Rs. 250 to recognised charities as " allowable expenses ".

Letter No. 5797-I.T./48, dated 28th September 1948, from the Central Board of Revenue to Chamber.

With reference to your letter No. 2549, dated the 16th August 1948, I am directed to say that the minimum limit of Rs. 250 is administratively essential ; it is not therefore proposed to amend the law in the manner suggested. It should be noted, however, that this limit is an over-all limit ; it does not require that **each** particular contribution should amount to Rs. 250, but only that the **total** of all such contributions, however small individually, should not be less than Rs. 250 during the whole of the previous year.

APPENDIX 33

Form of Return of Income

Letter No. 2521, dated 10th August 1948, from Chamber to the Central Board of Revenue.

I am directed to refer to Notification issued by your Board dated 17th February 1948 re : form of return of income. While the changes incorporated in the form would appear to be consequential to the introduction of Section 12(*b*) of the Income-tax Act, my Committee find that the particulars required to be furnished under Section 38 of the Act (to be filled in by any dealer, broker or agent or any person concerned in the management of a stock or commodity exchange) in respect of any sum or aggregate sums in excess of Rs. 10,000 where payment represents sale price in connection with the sale, exchange or transfer of capital assets or on whose behalf or from whom the assessee has received any such sum, and particulars of all such payments and receipts are difficult to be complied with. They have examined the requirement as such and feel that the details required under this head would be voluminous and that a stock-broker or a dealer would find it very difficult to submit such information to the Department. On closer examination, it would appear that the details as enumerated in the form of return are not so much necessary for the purpose in view. My Committee would seriously suggest that while keeping in view the necessary requirement, the detailed nature of submission should be dropped and only the salient heads should be retained for the purposes of submission of necessary information under Section 38 of the Act.

My Committee request that your Board will be pleased to take into consideration the difficulty of the stock-broker or a dealer in the matter of submission required under the form and take necessary steps to amend the form suitably.

APPENDIX 34

Business Profits Tax and Relief in respect of Double Taxation

Letter No. 621, dated 1st March 1948, from Chamber to the Central Board of Revenue.

Ever since taxation of income became an integral factor in the revenue resources of almost all the important countries of the world, the need for arrangements by bilateral conventions or otherwise for relief in respect of taxation of the same income by two taxing authorities has been increasingly recognised. The Indian Income-tax Act has given sufficient importance to this aspect of the problem and over and above the relief provided in Section 49 in respect of the U.K. Income-tax, Section 49A authorises the Central Government to make the necessary provision for the granting of relief in respect of income doubly taxed, both in the Indian Dominion and in any of the Indian States. In the exercise of the powers vested under this section, the Government of India have, on a reciprocal basis, made arrangements with a number of Indian States whereunder any person, who has paid Indian Dominion Income-tax on any part of his income, also has to pay on the same part income-tax charged by any of the States, shall be entitled to get appropriate relief resulting in the same income not being taxed twice. By this process Indian businessmen and Indian companies having business undertakings both in the Dominion and in any of the Indian States were freed from the possibility of the same income being subjected to tax twice.

The above principle of relief in respect of double taxation normally should apply to all forms of direct taxation. It obtains now in respect of income-tax, super-tax and Corporation tax. Unfortunately, when the Business Profits Tax was first introduced in the Dominion of India, no specific provision was inserted in the legislation for double taxation relief. This omission was obviously due to the fact that at that time there was no taxation corresponding to the Business Profits Tax in any of the Indian States and consequently it was presumed that the question of double taxation might not arise and that consequently the need for relief would also not occur. It, however, transpires that the authorities of the Hyderabad State have recently published a Business Profits Tax Bill designed to tax business profits within their jurisdiction. There are certain undertakings with central control and direction in Indian Dominion which have branches or operating units in the Hyderabad State. In the absence of any special arrangement or

provision such undertakings will find themselves placed in a difficult position. The profits accruing to them in respect of their activities in the Hyderabad State would be liable to the Business Profits levy of that State and the same profits would again be under the present position liable to be taxed in India. My Committee believe that such a contingency was never contemplated when the Business Profits Tax legislation was enacted.

My Committee are further given to understand that the attention of the Board was drawn to the above lacuna by the Associated Cement Companies, Ltd., a company having their registered offices in the Dominion of India and owning and operating a cement factory in some of the Indian States, including Hyderabad. As the entire profits of the Hyderabad undertakings are being remitted to Headquarters, such profits would be liable to taxation both in Hyderabad and in India. Government will agree that such an eventuality has to be avoided. The issue might also arise in respect of other Indian States as and when such States introduce Business Profits Tax in their areas.

It would further appear that the Hyderabad State authorities are agreeable to include necessary provisions in the Hyderabad Business Profits Tax legislation for relief from double taxation. But the relief can be granted and availed of only on a basis of mutuality and unless the Indian law included corresponding provisions, obviously assessees taxed twice will not be in a position to apply for and secure relief.

In this connection, the attention of my Committee has been drawn to another anomaly resulting from the introduction of the Business Profits Tax levy last year. Assessees in the Indian Dominion who have business connections or undertakings in Indian States have to pay income-tax on the same income both in India and in respect of the States concerned. The Business Profits Tax is an allowable item of expenditure in computing profits for purposes of income-tax. The Business Profits Tax at present is not levied in any of the Indian States ; in the result the taxable profits of the income of an assessee in the Dominion of India in respect of the same income which is taxable in an Indian State also, are lower than the taxable profits in the Indian States concerned to the extent of the amount of allowance represented by the Business Profits Tax. Under the existing arrangements, double income-tax relief is allowed on the lower of the two assessable profits. Consequently, the relief accruing to the assessee concerned is reduced to the extent justified by the Business Profits Tax deducted in India. It will be agreed that the above position is extremely unfair. It will be recalled that a similar issue arose when the Excess Profits Tax was first introduced in India. This tax was allowed as a deduction for purposes of computing profits liable to income-tax. Profits liable to income-tax in India on that basis were lower than the profits subject to income-tax in the Indian States concerned

and consequently, the assessees were not entitled to double income-tax relief to the full extent. On representation to the authorities then the position was rectified and the Central Board of Revenue by their circular letter No. 16D of 1945 dated 24th September issued departmental instructions so as to make available to the assessees full relief as if E.P.T. was payable in the Indian States also.

My Committee request that the Central Board of Revenue will be good enough to give their early consideration to the difficulties pointed out above and take such action departmentally or otherwise as would result in the assessees being entitled to the full extent of relief in respect of double income-tax in both the above types of cases.

APPENDIX 35

Arrears of assessment in Income-tax Offices

Letter No. 1872, dated 8th June 1948, from Chamber to the Central Board of Revenue.

My Committee have been receiving complaints that the work relating to completion of assessments in the Income-tax Offices is very much in arrears and that in many cases assessments for a number of years are still pending. You can very well appreciate the inconvenience caused to the assessees by this state of uncertainty. During the period of the war, due to various changes in the tax structure as also due to the levy of certain new taxations like the E.P.T., the work in the Department had increased. The administrative machinery naturally was not able to cope up with the requirements of the situation. It is, however, high time that arrangements are made to restore normality in the working of the Department and to that end the Central Board of Revenue should, wherever necessary, arrange for the provisions of the requisite additional staff, both in Officers and in the subordinate services. It should be the anxiety of the administration to see that the work of assessments is proceeded with expeditiously and that matters are not allowed to be kept pending for any undue length of time. As far as possible, assessments for the previous year should be completed before the end of the following year. It is requested that the Board will be pleased to take this issue and the reorganisation of the administrative machinery arrangements in hand without any further delay.

The Committee of my Chamber had in the year 1946 represented to Government that it was very essential that the entire Appellate machinery provided by the Indian Income-tax Act should be separated from the administrative control of the Central Board of Revenue or the Income-tax Department so as to preserve the independence of the Appellate personnel in the discharge of their

appellate functions and duties. It is a salutary principle that the executive who are concerned with deciding matters of facts or law should not themselves sit in judgment on any points in regard to such decisions which are again brought up for appellate consideration. The above principle was, to a certain extent, recognised when Government decided to transfer the administrative supervision of the Income-tax Appellate Tribunal from the Central Board to the Legal Department. This should now be followed up by making the Appellate Commissioners also independent of the administrative side. The Appellate Assistant Commissioners are the first appellate authority under the Income-tax Act, and in order that the Appeal machinery may inspire greater confidence, my Committee urge that the question of removing the Appellate Assistant Commissioners from the administrative control of the Income-tax Department and the Board should receive immediate consideration.

The proviso to Section 5(8) of the Indian Income-tax Act requires that no orders, instructions or directions shall be given by the Central Board or their officers which will have the effect of in any way interfering with the discretion of the Appellate Assistant Commissioners in the exercise of their appellate functions. It is further understood that instructions have been issued to the Appellate Assistant Commissioners departmentally that they were not to seek advice of the Board on any points arising before them and that they should decide matters to the best of their judgment. While the above departmental action is appreciated, it must however be pointed out that the peculiar position that the Appellate Assistant Commissioners are directly subordinate to the Central Board and their officers is, in actual practice, coming in the way of the spirit of the above requirements being realised in the conduct of the work of the Appellate Assistant Commissioners.

The creation of a cadre of Inspecting Assistant Commissioners by the Amendment Act of 1939 has come in for a good deal of criticism. It has been a matter for general complaint that the Inspecting Assistant Commissioners have by instructions issued to Income-tax Officers interfered with the working of the latter. The Income-tax Officer should be at liberty to exercise his duties and responsibilities without such interference. My Committee had, even when this office was created, expressed themselves as not having been convinced of the need for the same. The experience of the working after the change has confirmed their view and it is desirable that Government should, at an early date, take necessary steps to amend Sec. 5 of the Act so as to do away with the cadre of " Inspecting Assistant Commissioner ". Such a reform will, it is submitted, assist in the expedition of the work in the department.

My Committee request that Government will be good enough to give this matter their early attention.

APPENDIX 36

Need for Uniformity and Co-ordination of Policy in the levy of Sales Tax

Letter No. 545, dated 24th February 1948, from Chamber to the Ministry of Industry and Supply, Government of India.

I am directed to address Government on the need for enforcement of Sales Tax Acts operating in the different Provinces on a co-ordinated basis. Such co-ordination, my Committee feel, is necessary in the interest of trade and industry which have obviously inter-relations between the different Provinces.

My Committee invite reference to the Conference held recently in New Delhi under the auspices of the Ministry of Industry and Supply on Industrial Development in India, when a Resolution (No. 5) was passed stressing *inter alia* " that the policies of Provincial and States Governments regarding the levy of Sales Tax should be co-ordinated ". My Committee are, at present, examining certain difficulties arising out of disparities in the enforcement of Sales Tax between different Provinces. They are, therefore, anxious to know how far the above question has received the attention of Government and whether any actual steps have been taken to implement the above Resolution.

As an instance in point, materials supplied by dealers in Bombay Province to parties outside this Province are not charged to Sales Tax. My Committee are given to understand that this procedure is not followed in other Provinces. Materials sent from Calcutta, Madras, etc. are being charged to Sales Tax and merchants in this Province are to that extent being burdened unnecessarily. This is an anomaly which should be removed by the Centre at an early date in the interest of co-ordinated enforcement of the Tax.

APPENDIX 37

Levy of Sales Tax on Bullion and Specie

Letter No. 1368, dated 29th April 1948, from Chamber to the Finance Department, Government of Bombay.

The Bombay Bullion Exchange, Ltd., has placed before my Committee a copy of the case submitted by it to Government in regard to the levy of Sales Tax on Bullion and Specie. Till 1st April 1948 Bullion and Specie were included in the schedule of tax-free goods. With effect from that date, however, the item is deleted from the schedule and Sales Tax at the rate of half-an-anna in the rupee is being levied on the same.

The Bullion Exchange has very rightly pointed out that Bullion and Specie should not be treated on the same basis as other

articles of consumption for purposes of the levy of Sales Tax. In this country gold and silver are traditional media for the investment of the resources of the common man. The savings are invested, even if temporarily, in these two precious metals. Taxing gold and silver, therefore, in the above manner, will virtually amount to taxing savings. Moreover, as far as my Committee are aware, a tax of such a nature is not being levied on bullion in any part of the world. A tax at half-an-anna in the rupee works out to a levy of $3\frac{1}{8}$ per cent. Normally, the bullion trade works on a margin of one anna per tola on gold and one anna per 100 tolas on silver. It is quite inconceivable that there should be a tax on transactions in gold and silver at a rate more than 60 times the normal margin of profit in such transactions.

There is also the factor that the same gold and silver in different form change hands frequently. Ready-made ornaments are sold back for various reasons. Again they are replaced by fresh ones. The frequency of such transactions inevitably results in the same quantity of gold and silver being taxed a number of times. This is against the very principle of a single point tax accepted for purposes of the Bombay Sales Tax scheme.

The most important objection, however, is that the tax will lead to diversion of business from this City and the Bombay Province. Bombay, by reason of the facilities offered by it in the shape of an organised market for the Bullion trade and other facilities in the matter of refining, etc., is the most important centre for the trade in Bullion and Specie. The requirements of the whole country have till now, to a large extent, been met by the trade in this City. The Sales Tax now being levied will work out to about Rs. 3/8 per tola on gold. There is, therefore, sufficient inducement for a prospective purchaser of gold to buy his requirements outside the Presidency. Even customers from the province find it to their advantage to get their requirements of gold and silver from markets outside the Presidency and thereby save the difference represented by the tax. Similarly, the jewellery and ornaments trade, which is also an important trade in the City, will find itself handicapped by the above tendency. The difference in the rate for bullion and the natural difference in the making charges will together offer a substantial inducement to the public for arranging to have their requirements of jewellery made outside the provincial limits.

My Committee request that Government will be good enough to give this matter their early consideration and to arrange for bullion and specie being restored to the schedule of tax-free goods for purposes of the Bombay Sales Tax Act.

APPENDIX 38

Levy of Sales Tax on Diamonds

Letter No. 1369, dated 29th April 1948, from Chamber to the Finance Department, Government of Bombay.

The Bombay Diamond Merchants' Association, which is affiliated to this Chamber, has placed before my Committee the case submitted by the Association to Government in the matter of the levy of Sales Tax on diamonds and the difficulties resulting therefrom.

Prior to 1st April 1948 Sales Tax at the rate of half-an-anna in the rupee was being charged on diamonds. From 1st April the rate of the tax has been doubled.

Bombay has always been an important importing and distributing centre in the country for diamonds, jewellery and other precious stones. In fact, almost the entire requirements of the whole country are first imported in Bombay by the trade here and subsequently sent out to the various parts of the country where there is a demand for the same. Under the scheme of the Sales Tax Act, goods sent out to destinations outside the Province of Bombay are exempt from Sales Tax. The diamond merchants outside the province will, therefore, get their supplies of diamonds tax-free. On the other hand, the merchants in Bombay normally catering to the demand in the City and in the Presidency will have to recover and pay tax on supplies intended for internal distribution in the province. The direct result of the above position would be that merchants outside will find themselves in a position of advantage over their compeers in Bombay. The threat of diversion of business in the above manner, my Committee understand, is becoming real and that much of the business transactions which used to pass previously through the hands of diamond merchants in Bombay are now, it appears, being done through channels of trade situated outside the limits of the province. My Committee are also reliably informed that all large-scale requirements, even for Bombay, are now being met by supplies being arranged at centres outside the province. Government certainly cannot desire the diversion of the diamond trade of Bombay in the above manner. Diamonds and other precious stones being articles of comparatively high value, the Sales Tax on the same will naturally amount to a substantial figure. The inducement to escape the incidence of this tax by arranging supplies from sources beyond the jurisdiction of the Province will prevail. Even under the old rate of half-an-anna in the rupee, the above tendency was noticeable. With the doubling of the rate, the process will be accelerated and there is ground for the fear that this important trade in which Bombay traditionally had a substantial share, will before long be transferred to other centres where Sales Tax is not in force.

Apart from the hardship to the trade by the loss of business in the above manner on account of diversion, there is the question of the consequential hardship and other losses incidental to such a development. Diamond trade in the city is offering means of livelihood to a fairly good number of people. The constriction in local business, following diversion, will lead to the displacement of a substantial proportion of these persons. It will also lead to the loss in other heads of revenue, both to the province and to the Centre, on account of an ultimate reduction in the turnover and volume of business taking place in the city and the Presidency.

Incidentally, it may be mentioned that the diamond trade is finding itself seriously handicapped by the recent tightening of the Import Trade Control. Fresh imports are not being allowed. On the top of that if, by the levy of the Sales Tax at the increased rate, the trade finds itself obliged to operate from centres outside the Province, there would be a further set-back for the functioning of the trade in the Presidency in its normal form and size.

My Committee request that Government will be good enough to review the question in its entirety and, at any rate until such time as some uniformity in policy and practice is evolved in all the provinces and States in the matter of levy of Sales Tax, diamond and other precious stones should be exempted from the tax in this province also.

III. FINANCE, TARIFF AND TAXATION

APPENDIX 39

Bill to Consolidate and Amend the Law relating to Banking Companies

Letter No. 2554, dated 17th August 1948, from Chamber to the Ministry of Finance, Government of India.

I am directed to refer to the Bill to consolidate and amend the Law relating to Banking Companies now before the Constituent Assembly (Legislative) and to submit hereby the suggestion and views of the Committee of my Chamber on certain provisions thereof.

At the outset, my Committee would like to invite Government's attention to their previous representation on the question, reference No. 296 dated 2nd February 1945, containing their views on the previous Bill circulated in the year 1944 (copy enclosed for ready reference). As observed therein, a banking legislation should not be limited to questions pertaining to the structure and framework of banking in the context of joint-stock banks only. Government are aware that there exist in the country from times immemorial credit institutions other than joint-stock banks, performing useful services in the sphere of meeting the banking needs of the public. Indigenous bankers with their activities spread over practically the whole country particularly in the field of financing rural areas and agricultural needs of the country were in the nature of a solid bedrock on which the financing responsibility was placed to a substantial extent. The institution of indigenous bankers has done creditable work in the country, and Government will be doing an injustice to them if, such an institution is not brought within the credit structure and its activities regulated under the Banking Act. My Committee hope that Government will take into consideration the past services of the indigenous bankers and the important role they have continued to play in financing agricultural needs of the country and bring their institution within the pale of the present Bill for the purpose of regulating their activities.

It is evident that the powers and functions of the Reserve Bank of India have been vastly increased under the present Bill. The Reserve Bank will perform the function of an intermediary between the Central Government and the joint-stock banks for the proper regulation of the activities as also the solvency of the Banking companies. The Banks in return would naturally require that the responsibility of the Reserve Bank should also be proportionately made greater. The provision should be made accordingly in the Bill for an obligation on the Reserve Bank to actively help the banks in times of a run or a crisis.

With these general remarks, my Committee would like to make the following observations on the specific provisions of the Bill :

PART I : PRELIMINARY

Clause 4—Power to suspend operation of the Act :

This clause empowers the Central Government to suspend the operation of all or any of the provisions of the Act for a specific period on a representation made by the Reserve Bank if it was satisfied that it was expedient to do so. It is presumed that the clause provides for meeting contingencies in emergency conditions. My Committee suggest in this connection that in the event of a run on a bank, the bank may be allowed to secure moneys against its holding of Government securities to tide over the emergency. On receiving intimation from the bank concerned of its having borrowed moneys against such securities, the Reserve Bank may recommend to Government that the operation of the Act be suspended for the time being in the context of the particular bank. This would enable the Banks to tide over the difficulties in some measure pending sanction of the Central Government.

Clause 5(*b*)—Definitions :

The clause refers to the definition of banking. The deposits accepted by industrial and commercial houses are withdrawable amongst other methods by " order or otherwise ". My Committee suggest the deletion of the words " order or otherwise " with a view to absolve such business concerns from being classed in the category of banking companies. It is necessary that the definition of " banking " should be clear enough not to adversely affect the interests of industrial and commercial concerns registered under the Indian Companies Act.

PART II : BUSINESS OF BANKING COMPANIES

Clause 8—Prohibition of accepting Demand Liabilities :

According to the clause, no company other than a banking company would be able to accept deposits repayable on demand. The practice of accepting deposits by industrial and commercial concerns is widespread, and the clause will interfere with a credit facility easily available for financing trading activities. The Committee are of the opinion that either the clause should be deleted or the words " by cheque or draft " added at the end of it.

Clause 11—Sub-clause (1)—Provision of employment of Managing Agents and restrictions on certain forms of Employment :

The clause requires that contracts for employment of executives of a bank even though limited to 5 years should be approved by the shareholders in the General Meeting. The Committee are of the opinion that as the Directors are elected by shareholders, there is no justification to limit their discretion in renewing 5 years'

contracts of their managers. They, therefore, are opposed to the clause being embodied in the Bill.

Sub-clause (2) : This sub-clause vests discretion in the Reserve Bank for determining whether the manager of the bank was receiving remuneration on a proportionate or disproportionate scale. As such discretion is left in the hands of the Reserve Bank entirely, my Committee feel that there should be a right of appeal to the Government of India against the decision of the Reserve Bank in such cases.

Clause 12—Restrictions on commencement of business and condition for carrying on business :

Sub-clause (3)(*a*) lays down certain conditions about the proportion of subscribed capital and authorised capital and subscribed and paid-up capital. With a view to making paid-up capital equal to half of the subscribed capital, the Directors may resort to the device of calling up different amounts on different shares. It is suggested that a specific provision should be introduced into the Bill to prevent directors from resorting to the above practice.

Clause 15—Restrictions as to payment of Dividend :

Under Sub-clause (1), no banking company will be able to declare dividend on shares until all its capitalised expenses have been completely written off. It is presumed that the clause is designed to prevent the payment of dividend when capitalised expenses might be outstanding, to which my Committee have no objection. They are, however, opposed to sub-clause (2) which fixes a statutory maximum limit to the rate of dividend that could be paid by new banking companies. The clause introduces a new principle which concerns wide issues of policy affecting the entire financial structure of the country. The proposal for determination of fair return on capital employed is still under consideration. My Committee, therefore, strongly suggest that the clause be deleted from the Bill.

Clause 17—Reserve Fund :

Under the clause, every banking company is required to set apart 20 per cent of its profits each year as Reserve Fund before any dividend is declared, until the amount of the Reserve Fund is equal to the paid-up capital. My Committee in this connection would observe that for the determination of a net amount, all taxes paid have to be first deducted. They, therefore, suggest that the amount of the Reserve Fund should be determined after all taxes have been paid.

Clause 18—Cash Reserve :

Under the clause, every banking company not being a scheduled bank is required to maintain a cash reserve of a sum equivalent to at least 2 per cent of its time liabilities and 5 per cent of its demand liabilities. With a view to make it easier to the

banks to comply with the condition and to avoid unnecessary handling of large amounts of cash and currency, it is suggested that the term "cash reserve" should include cash deposits with the scheduled banks also for the specific purpose of this clause.

Clause 19—Restriction on nature of Subsidiary Companies :

Sub-clause (2) prohibits banking companies from holding shares in any company, whether as pledgee, mortgagee or absolute owner of an amount exceeding 20 per cent of the issued and subscribed capital of that company of 20% of its own issued and subscribed capital and reserves whichever is less. The main aim of Government appears to be to prevent banks from using their resources in acquiring control over other companies. It is a laudable objective. My Committee, however, apprehend that the provision would be administratively difficult to be complied with, because a bank will have to be in touch with operations with all its branches from day to day and moment to moment to keep itself within the requirement of the provision. Further, this would affect the progress of Banking as also investors who could overdraw against the approved shares. Besides, in the Indian Companies Act and the previous Bill, the percentage fixed was 40 per cent which was also administratively difficult to follow. If the provision is insisted upon, it will interfere with credit facilities to *bona fide* share brokers and investors. My Committee, therefore, are of opinion that the existing 40 per cent should be retained.

Under sub-clause (3), a banking company after the expiry of one year from the date of the commencement of the Act is prohibited from holding shares in any company in the management of which any managing director or manager of the banking company is in any manner concerned or interested. While my Committee have no objection to the sub-clause as such, they are of the opinion that such prohibition might be enforced if any managing director or manager of such a banking company held an office of profit.

Clause 22—Restriction on opening of a new and transfer of existing places of business :

The object behind the restriction sought to be provided by the clause is obviously to stop small banks from indiscriminately opening small branches. My Committee, however, suggest that if the Bank's resources are large, there is no reason to interfere with its freedom to decide whether or not to work at a particular place. They, further, suggest that banks having a paid-up capital and reserve of Rs. 50 lakhs and over should be free from such restrictions.

Clause 23—Maintenance of a percentage basis :

Under the clause, banks are required to keep 20 per cent of their total cash deposits in cash, gold or unencumbered approved securities. The Committee feel that silver should also be included along with gold, etc. to enable the banks to lend against silver,

as the same is largely invested in by peasantry and agriculturists in the country. They would also suggest that " net credit balances " of a bank with other scheduled banks should also be reckoned as cash. The suggestion is made with a view to helping small banks in the mofussil who should be entitled to cover their assets with banks in big cities for the purpose of the clause. Further, by accepting the suggestion of the Committee, the difficulty created by the needless load of actual cash or currency would be prevented on the part of banks and branches of banks located in places where there are no branches of the Reserve Bank.

Clause 24—Assets in the Provinces of India :

Under sub-clause (3), foreign import bills are excluded from the assets of the bank. As such bills have to be negotiated by the banks from their own resources, it is difficult to understand why they should not be considered as assets.

Clause 25—Return of Unclaimed Deposits :

Under the clause, banks within 30 days after the close of each calender year are required to submit a return to the Reserve Bank of all accounts which might not have been operated upon for ten years. The Committee hold that the submission of details of such accounts would amount to a disclosure of confidential information regarding the customer's deposits. If Government desire to ascertain the amount of such unclaimed money, their object could be served by asking banks to give consolidated figures of numbers and totals of such deposits.

Clause 26—Monthly returns and powers to call for other returns and information :

Under the clause, the Reserve Bank is entitled to call for statements, returns and information relating to the business of a banking company. The information may be called for regarding classification of advances and investments of the banking companies in respect of industry, commerce and agriculture. If such information is desired for any specific purpose, the Reserve Bank has power under the Bill to call for inspection. The Committee, however, fear that if such information was to be submitted in due course generally, it would in some measure set back the progress of banking as also the habit of banking. Banks or credit institutions have largely to depend for their successful working on the confidence of the public they are able to invoke. If once the books of the banks are in due course opened for information, the measure of confidence reposed by the public would be lost. The clause requires to be suitably amended.

Clause 31(2)—Copies of Balance Sheets and Accounts to be sent to the Registrar :

Under the clause, if Reserve Bank requires any additional statement or information in connection with the Balance Sheet and

Accounts furnished under Section 30, the Bank concerned when supplying such a statement is required to send a copy thereof to the Registrar. It is obvious from the wording of the clause that such information is to be supplied to the Reserve Bank if it is called for for any specific purpose. It is difficult to understand why a copy of the same should also be filed with the Registrar. They, therefore, are opposed to the information being filed with the Registrar as the same would amount to unnecessary disclosure of bank's affairs.

Clause 34—Inspection :

Under the clause, the Reserve Bank may proceed to inspect books of accounts of any bank under the direction of the Central Government. Presumably, the clause is in the interests of the depositors of a bank which is reported to be mishandling the affairs of the organization. It would appear at first sight to be a very helpful clause. However, on closer examination the operation of the clause would unconsciously raise difficulties, rather than achieve the object underlying the clause. The credit institutions have a delicate function to perform and if they are brought within the orbit of such a clause without the necessary safeguard, depositors themselves would be penalised ultimately with real help being extended. The clause would help rival institutions to damage the reputation of the bank in question and the inspection might worsen the position of an otherwise solvent bank. My Committee suggest that an equitable procedure for inspection should be framed with necessary safeguards in the Bill itself to achieve the purpose in view.

Under sub-clause (3), inspectors deputed by the Reserve Bank should not be empowered to examine persons on oath as in the opinion of the Committee such a procedure should be limited to the Courts of Law alone.

Under sub-clause (4), the Central Government is empowered to prohibit any banking company from receiving fresh deposits, and to direct the Reserve Bank to start winding up of any banking company in case the Reserve Bank reports to the Central Government that the affairs of the banking company are being conducted to the detriment of the interests of the depositors. My Committee feel that a safeguard is necessary in this connection. They suggest that no action should be taken by the Central Government on such a report before giving an opportunity to the management and the Board of Directors of the bank concerned to explain their position.

Clause 35—Further powers and functions of the Reserve Bank :

Under sub-clause (3), the Reserve Bank is called upon to give assistance to any banking company by means of the grant of a loan or making advances. It is hoped that in view of the large powers which the clause gives to the Reserve Bank, the sub-clause

(c) should be interpreted liberally and that the Reserve Bank should strain all its resources in checking bank failures.

PART III : SUSPENSION OF BUSINESS AND WINDING UP OF BANKING COMPANIES

Clause 41—Power to dispense with meetings of Creditors :

The Committee feel that it is undesirable to remove the safeguards of meetings of creditors or contributories as provided at present.

Clause 44—Restriction on Amalgamation :

Under the clause, banking companies are prohibited from entering into agreements or arrangements for amalgamation with any other banking company without the previous sanction in writing of the Reserve Bank. It is suggested that such a sanction should not be refused by the Reserve Bank unless one or more of the amalgamating banks were unsound concerns.

THE SCHEDULE

Form A—Form of Balance Sheet :

My Committee would like to make the following observations in regard to the above Form A :

(i) Provision may be made for addition of " Call Deposits " after the words " Current Accounts ".

(ii) Information regarding figures of Indian and foreign business should not be required to be shown in the Balance Sheet. If the information is required for confidential use of the Reserve Bank or the Central Government, same may be called for separately.

(iii) Disclosure of information respecting debts due from companies or firms in which the directors of the banking company are interested must be limited to unsecured debts only and not to secured debts.

(iv) It is not necessary to disclose in the Balance Sheet fully secured advances separately under " Advances ".

(v) Under the head " Investments ", the mode of valuation is required to be disclosed, namely whether it would be on cost or market value basis. In the explanatory note, it is stated that where any other mode of valuation was adopted it should be clearly stated. My Committee, are therefore, of the opinion that " i.e." in the Form is a printing mistake and that it should be replaced by " e.g. cost or market value, whichever is lower.

(vi) They suggest that silver should be shown under investments after gold.

In conclusion, my Committee earnestly hope that their above suggestions and observations will be duly considered by Government and the necessary amendments incorporated in the Bill.

APPENDIX 40

Steps for Setting up an Autonomous Association of Accountants

Letter No. 1619, dated 19th May 1948, from Chamber to the Secretary, Experts Committee, Re : Registration of Accountants.

My Committee have received a copy of Government Resolution No. 21-A(8)/47 dated the 1st May 1948 regarding the constitution of an Experts Committee for the purpose of formulating proposals for making the Accountancy profession autonomous. In this connection, my Committee note that the Experts Committee is composed, almost entirely, of persons from the profession and of officials. The Committee of my Chamber feel that the work of the Committee would have been considerably facilitated by the inclusion of some non-official commercial men as the question under reference has an important inter-connection with commercial activities, particularly the organisation and conduct of joint-stock enterprise. They, therefore, suggest that Government may be moved to enlarge the personnel of the Committee so as to include some representatives drawn from the sphere of trade, commerce and industry.

On the question of making the profession of Accountancy autonomous, my Committee have already submitted their detailed views to Government in their letter dated 25th June 1947. A copy of the same is sent herewith. My Committee generally adhere to the views expressed therein. They would, in particular, like to reiterate the suggestions made in that communication regarding the composition of the new Accountancy Board and representation to commercial interests through organised Chambers of Commerce. They are also very particular that the number of official representatives in the Committee should be relatively small and that no officials of the Income-tax Department or the Income-tax Appellate Tribunal should be included in the Committee either by nomination or otherwise.

APPENDIX 41

Bill to make Provision for the Regulation of the Profession of Accountancy in India

Letter No. 3663, dated 30th November 1948, from Chamber to the Ministry of Commerce, Government of India.

I am directed to refer to your letter No. 21-A (8/47) of the 16th September 1948 forwarding a copy of the above Bill and in

reply to send to you hereby the views and suggestions of the Committee of the Indian Merchants' Chamber on the provisions thereof.

At the outset my Committee would like to mention that when the Draft scheme for regulating the profession of Accountancy was circulated last year, they had expressed themselves in favour of the proposal for constituting an autonomous Association of the Accountancy profession so that such an Association could assume the responsibilities of securing the maintenance of the requisite standard of professional qualifications, discipline and conduct and in all allied matters concerning the regulation of the profession. They are, therefore, in agreement with the central features of the scheme embodied in the Bill. They would, however, like to submit for the consideration of Government the following suggestions on the detailed provisions thereof.

Clause 4—Entry of names in the Register :

This clause lays down the terms and conditions governing eligibility of persons for being enrolled as Registered Accountants. In this connection, my Committee would like to suggest for the consideration of Government the case of persons who had passed the G.D.A. Examination, but had not filled in the necessary Articles for being entitled to be treated as Registered Accountants. A number of persons who had passed the G.D.A. Examination is understood to be in responsible employment as Accountants or offices of similar import and significance in public undertakings, Government or semi-Government offices and in commercial houses. By virtue of their experience and the practical knowledge gained in regard to the requirements of the profession, their claim for some measure of recognition under the new scheme gains strength. My Committee are advised that in the U.K., recognition of experience other than under Articles is, to a certain extent, in vogue and the Society of Incorporated Accountants and Auditors recognise service as Accountancy Clerks to public Accountants or experience under the Accountancy Departments of Government or quasi-Government bodies, subject to certain conditions as to the duties and positions occupied by the candidate. Even the last batch of G.D.As must now have been continuously in service for over ten years and that would have afforded them adequate opportunities for gaining the necessary experience to enable them to discharge the normal duties expected of an Accountant with that degree of care and attention which the high calibre as the profession as a whole calls for. My Committee feel that some provision should be made under the new scheme so as to accommodate persons who have passed the G.D.A. Examination, subject, of course, to certain conditions as to the duties and positions previously occupied. They suggest that the Council of the Institute should have power to recognise, in fit cases, persons who have passed the G.D.A. Examination and who have put in not less than ten years' service in responsible positions as Accountants or in

the Department dealing with Accounts in Government or semi-Government Organisations or in business, commercial or industrial undertakings. The terms and conditions on the basis of which such service should be recognised are matters of detail. The recognition suggested will be at the absolute discretion of the Council of the Institute. The Council should be empowered under the new legislation to enroll such persons as Associate Members of the Institute provided applications for such enrolment are made within a period of five years from the date of the coming into force of the new Act. My Committee hope that Clause 4 will be suitably modified so as to vest in the Council permissive power to deal with and admit any deserving cases as Associate Members persons who have passed the G.D.A Examination but had not, for one reason or the other, been able to fill in the necessary period of Articles under a practising Accountant.

Clause 8—Disabilities :

Under Sub-Clause (iv), a person who has been convicted by a competent Court of an offence involving moral turpitude or of an offence not of a technical nature, will not be entitled to have his name entered or continue in the Register of Accountants. Obviously, the disability would not be attached to an offence which is merely of a technical nature. The clause, as worded, however, is not clear as to who would finally decide whether the offence in question was of a technical nature or not. My Committee, therefore, suggest that the provision should be suitably amplified by substituting the words " unless declared by the Court to be of a technical nature " for the words " not of a technical nature " in line 3 of the sub-clause.

Clause 9—Constitution of the Council :

The constitution of the Council as proposed under the clause provides for three persons being nominated by the Central Government. My Committee had, while conveying their observations on the draft scheme last year, stressed the need for reducing representation to official interests to the minimum. They had, in particular, urged that Departmental Officers should not find a place in the Council as nominees of Government. They request that some indication should be included in the clause that persons nominated by Government would be such as would represent the general interests of the public.

Clause 17 :

Under this clause, the Council is empowered to set up Standing Committees. One such Committee would be known as Disciplinary Committee. The Committee of my Chamber are of the view that the member on the Council representing the Federation of Indian Chambers of Commerce and Industry should, as a matter of course, be one of the three members proposed for the Disciplinary Committee in addition to the President and the Vice-President.

This change is suggested with a view to the non-official and non-professional point of view being always represented on the Disciplinary Committee.

Clause 20 :

Under this clause, the Council is empowered to remove permanently or temporarily from the Register the name of any member of the Institute who has been found, on an enquiry held by the Council, to have been guilty of conduct which, in the opinion of the Council, renders him unfit to be a member of the Institute. Sub-Clause (2) further provides that where the enquiry is in respect of alleged misconduct arising out of any income-tax proceeding such an enquiry shall be conducted by the Central Government and not by the Council and any order passed by Government in connection with such an enquiry shall be carried out by the Council. My Committee are not in favour of the reservation made in sub-clause (2). All questions relating to professional misconduct, whether such misconduct arose out of any income-tax proceedings or in connection with the normal practice of the profession of Accountancy, should be dealt with by the Council itself. At the same time, they agree that Government should have some say in regard to the Council being empowered to take notice of matters relating to misconduct arising out of any income-tax proceeding. It should be laid down that the Council shall not be entitled to order an enquiry in respect of matters relating to income-tax except on a reference or a specific request from Government. Under such a provision, the responsibility for initiating any enquiry in matters relating to income-tax will originate and rest with Government, the enquiry, however, being conducted by the Council. My Committee are suggesting the above change designed to empower the Council to conduct enquiries into income-tax matters also, subject to the condition that the Council shall not be entitled to order an enquiry except on a reference from Government.

Schedule 1(o) :

The following words be inserted after the words " financial statement " in the sub-clause " with which he is concerned in a professional capacity."

My Committee request that Government will be good enough to give due consideration to the suggestions made herein and to make suitable changes in the provisions of the Bill to give effect to the same.

Letter No. 3827, dated 16th December 1948, from Chamber to the Ministry of Commerce, Government of India.

I am directed to invite a reference to this office letter No. 3663 dated 30th November 1948 communicating the views of the Committee of my Chamber on the Bill to make provision for the regulation of the profession of Accountancy in India. While com-

menting on Clause 4 of the Bill regulating entry of names in the Register, my Committee had suggested that some provision should be made under the new scheme so as to accommodate persons who had passed the G.D.A. Examination subject, of course, to certain conditions as to the duties and positions previously occupied. They had further explained that persons who had put in not less than ten years' service in responsible positions as Accountants or in the Department dealing with Accounts in Government or semi-Government organisations should, at the discretion of the Council of the Institute, be allowed to be enrolled as Associate Members. In the above recommendation my Committee had intended to include the case of persons who had passed the G.D.A. Examination and had started independent practice as Public Accountants & Auditors although technically they could not claim to be Registered Accountants. Service in such public practice should also be deemed as an eligible qualification for consideration for being enrolled. This, in addition to persons who have passed the G.D.A. Examination and ten years of service as Accountant in recognized offices, persons who have passed the G.D.A. Examination and acquired experience by practising as Public Accountants & Auditors should also be entitled to be considered by the Council of the Board for being enrolled on the Register.

APPENDIX 42

Bill to Transfer the Reserve Bank of India to Public Ownership

Telegram dated 21st August 1948, from Chamber to the Ministry of Commerce, Government of India.

Committee, Indian Merchants' Chamber note that Bill to transfer Reserve Bank of India to public ownership has been introduced in current session of the Constituent Assembly. Committee understand that Government intend to proceed with the Bill in all its stages during the present session and that it is not proposed to elicit public opinion either on the main features of the measure or on the detailed provisions thereof.

In order, therefore, that there may not be any misunderstanding of the views and attitude of the commercial interests on this all-important measure, Committee take this opportunity of reiterating their considered view that steps in the direction of nationalising the Reserve Bank of India are neither necessary nor desirable at this stage in the larger interests of the country. Committee may, in this connection, draw particular attention of Government to a Resolution passed at the last Annual Session of the Federation of Indian Chambers of Commerce and Industry conveying the disapproval of the commercial and industrial interests of the step in question. The Reserve Bank of India under its present set-up and framework has functioned effectively and its work and activities have been viewed with great satisfaction not only here but

also in international spheres. No convincing reasons have been adduced so far which would justify action in the direction of a radical change in the organization and set-up of the institution. Although the Bank is an institution owned by shareholders, the overriding powers of control exercised by the Government of India and the residual interests to the national Exchequer in its financial results had ensured its functioning as a truly public undertaking. The present set-up had the added advantage that the Bank was able to secure for its Board of Management the services and experience of men of undoubted ability in the spheres of commerce and industry.

Committee are constrained to observe that no convincing reasons have been advanced justifying the need for the changes in the direction contemplated in the scheme of Nationalisation. If, however, Government are determined to proceed with those changes, they should at least allow sufficient opportunities to the public to express their well-considered views on the scheme embodied in the Bill and to that end should agree to have the Bill referred to a Select Committee and, in the meanwhile, circulate the same for eliciting public opinion. Certain aspects of the provisions in the Bill call for detailed comments and it is but proper that Government should give to the public an opportunity and sufficient time for formulating and submitting their views.

APPENDIX 43

Electricity Supply Bill

Telegram dated 7th January 1948, from Chamber to the Hon'ble Mr. N. V. Gadgil, Minister for Works, Mines and Power, Government of India.

Reference Electricity Supply Bill now before Select Committee understand that Government do not propose to incorporate changes implementing findings of Simla Conference. Provisions governing financial principles embodied in Bill had provoked controversy and caused apprehension in minds of interests concerned. Government's efforts, however, in arranging Simla Conference carried some measure of reassurance. Having regard to far-reaching character of proposals embodied in Bill, Committee, Indian Merchants' Chamber feel that Government should afford further opportunity to public and to interests concerned to examine measure in all its implications and to place their views and suggestions before Government and Constituent Assembly. Provisions contained in Bill governing issues of general principle have wider application as reflecting general policy of State towards industry in the future. Such issues of general application should be more fully and properly considered. In order to facilitate full consideration of measure in all its implications, Committee respectfully request that further consideration of Bill be postponed till

next session so that in meanwhile public bodies and interests concerned may be afforded full and fair opportunities for placing their views and suggestions before Government. Committee hope that technicalities of legislative procedure will not be allowed to come in way of request for postponement.

APPENDIX 44

Bombay Industrial Relations Rules, 1947

Letter No. 3164, dated 22nd November 1947, from Chamber to the Political and Services Department, Government of Bombay.

I am directed by the Committee of my Chamber to address Government drawing their attention to certain provisions in the Bombay Industrial Relations Rules, 1947, which in their present form are likely to cause difficulties in the way of normal working of the factories and establishments covered by the Rules in question.

2. Under Rule 32 of the said Rules, authorised officers of an approved Union are entitled to hold discussions on the premises of the undertaking concerned with the employees who are members of the Union. The Union is required to intimate in advance to the Employer the name or the names of the officer or officers authorised for the purpose and the name or the names of the Department or the Departments in which the members concerned are employed. It is also further provided that the discussions should be held in such manner as " not to interfere with the working of the undertaking ".

3. The Rule in question is, however, not very clear and specific as to what is implied by the term " not to interfere with the working of the undertaking ". It is presumed that this condition of non-interference with the working pre-supposes that the discussions will be held on the premises only with workmen who are at the moment off duty and not with those actually engaged in some work in the undertaking. It is obvious that, if discussions are to be permitted with people who are actually engaged in work at the time when the officers of the Union visit the premises of the undertaking, such a process would inevitably interfere with the working of the undertaking. This point should, therefore, be made clear and it should be specifically provided that either the discussions should be outside working hours or the discussions should be so arranged as to be held at an hour of the day when the particular workers with whom the discussions are to be held are off duty.

4. It is also necessary to provide further that the discussions in question are not held within a particular Department of the factory or undertaking. It will be readily recognized that if the

discussions are held in a place inside or near about any working department, the same will attract the attention of the workers engaged in work leading inevitably to want of proper concentration or application to work. It should, therefore, be made clear that such discussions are to be held in places a little remote from the departments or the places where actual work is being carried on.

5. There should also be some automatic limitation on the frequency of the discussions. They should not become a regular day-to-day recurring event. A Union representing employees of a particular undertaking should normally be allowed to have such discussions only, say, once or twice in a month.

6. If the above points are not made clear by adequate provision in the Rules, the safeguard that " the discussions shall be held in such a manner as not to interfere with the working of the undertaking " will not be properly realized.

7. Under Rule 34 of the Rules in question, officers of an approved Union are authorised to inspect any place in an undertaking where any member of the Union concerned is employed. A general privilege of this nature is likely to result in conditions under which Union officials may insist upon the right of inspection even on flimsy pretexts. It is, therefore, necessary to qualify this right by providing that such inspections are normally to be authorised only when they are considered essential in connection with any issue of importance affecting the rights of the worker.

8. My Committee request that Government will be pleased to give their above suggestions their early consideration and take the necessary action.

Letter No. 428, dated 11th February 1948, from Chamber to the Political and Services Department, Government of Bombay.

I am directed to invite a reference to this office letter No. 3164 dated 22nd November 1947, wherein the Committee of the Chamber had indicated the need for elucidating the exact implications of the provisions contained in Rule 32 and Rule 34 of the Bombay Industrial Relations Rules. My Committee are awaiting Government's replies to the suggestions therein.

In the meanwhile, their attention has been drawn to the proviso in Section 28-K of Chapter III-B of the Indian Trade Unions (Amendment) Act, 1947, published in Part IV of the Government of India *Gazette* dated 28th December 1947 and under that proviso the refusal by employer to permit his workmen to engage in Trade Union activities during hours of work is not to be deemed to be an unfair practice on the part of the employer. The above provision incorporated by the Government of India in the Indian Trade Unions Act, 1947, lends support to the suggestion made by my Committee that the discussion, which the Union

officers are entitled to have with member-workers in factory premises, should be so arranged as not to interfere with the working of the factory. It is hoped that the Government of Bombay will be pleased to make the position specifically clear by adding suitable explanations to Rule 32 of the Bombay Industrial Relations Rules.

Letter No. 1237/46/3001-E, dated 27th March 1948, from the Labour Department, Government of Bombay, to Chamber.

With reference to your letters Nos. 3164 and 428 dated the 22nd November 1947 and 13th February 1948 respectively on the above subject, suggesting amendment of Bombay Industrial Relations Rules 32 [proviso (b)] and 34, I am directed to say that the wording of the rules in question is guarded enough and unless it is shown that there is much abuse of the powers given in the rules, amendment is regarded as uncalled for.

APPENDIX 45

Industrial Disputes Act, 1947 ; Rules Relating to Formation of Works Committees

Letter No. 1255, dated 19th April 1948, from Chamber to the Labour Department, Government of Bombay.

I am directed to refer to the Bombay Government *Gazette* Notification dated 13th March 1948 re : amendment of the Industrial Disputes (Bombay) Rules, 1947, in connection with the constitution and functions of and the filling of vacancies in the Works Committees, etc., proposing incorporation of rules as appearing in Part V of the Industrial Disputes (Central) Rules, 1947. My Committee have considered the above draft notification and suggest modifications as outlined below :—

Rule No. 36 of the Industrial Disputes (Central) Rules, 1947 —re : groups of workmen's representatives : This rule provides that when more than 50 per cent of the workmen are members of a Union or Unions no separate representation was required to be given to the non-Union workers on the Works Committees. My Committee feel that the proposal to exclude non-Union representatives is undesirable as in their opinion non-Union Members should have as much right to have their representatives on such committees as Union Members.

Rules 38 and 39 in Industrial Disputes (Central) Rules, 1947 —re : qualifications of candidates for election and voters : Under Rule 38 an employee with a service of not less than two years in a factory shall be eligible for election as a representative on the Works Committee. The Committee feel that this qualifying period is rather too short and they suggest that in case of establishments with a standing of 10 years or more such qualifying period of service for a candidate seeking election on such Committees should

be raised to 3 years. They also suggest that the qualifying period of service for a voter should be increased to two years instead of six months as prescribed under Rule 39.

They should also welcome a definite provision to be made in the rule to the effect that no outsiders should be allowed to take part in the conduct of the election to the Works Committee except the nominees of the Union who should also be selected from amongst the workers. My Committee hope that Government will be pleased to consider the above suggestions and incorporate them in the amended rules re : Industrial Disputes Act, 1947.

IV. GENERAL TRADE AND INDUSTRY

APPENDIX 46

Interview with the Hon'ble Minister for Commerce, Government of India

Speech of Mr. Ramdas Kilachand, President, Indian Merchants' Chamber, at the interview with the Hon. Mr. K. C. Neogy, Minister for Commerce, Government of India, on Saturday, the 17th July 1948, at 3-00 p.m. (S.T.).

Hon. Mr. Neogy,

I have great pleasure in extending to you a cordial welcome on behalf of the Committee of the Chamber and particularly thank you for having accepted our invitation at a very short notice. This is your first visit to this Chamber after assumption of office as Commerce Minister in our National Government. It is a matter of satisfaction that the affairs relating to trade and commerce will be looked after by a man of your ability and experience and the commercial and industrial community feel happy that the economic destiny of the country will be shaped by a person who is in a position to understand and appreciate the needs and requirements of the country at this juncture. In the past, we had the privilege of having informal exchange of views with the Ministers in charge of the various Departments of the Government of India and we once again thank you for having readily afforded this opportunity to us to discuss with you the various important questions relating to trade and commerce of the country.

Trade Policy—Imports :

You are aware, Sir, that the trade policy of our Government has passed through several vicissitudes, and a brief reference to the various phases of the same will not be out of place. The emergency conditions created by the war necessitated the imposition of various controls on imports and exports which were in operation till the end of hostilities after which there was a comparative liberalisation of the import policy dictated by the pent-up demands for the various goods within the country. This liberal import policy was continued upto May 1947 when Government found that the drain on the foreign exchange resources could not permit the continuance of the same policy. Hence from that date the import policy was mainly governed by the availability of foreign exchange as also the conservation of the exchange resources at the disposal of Government, these naturally leading to the fixation of ceilings, quotas, etc.

During the operation of this policy the commercial community was subjected to various difficulties and my Committee have represented these specific difficulties to Government from time

to time. While it is not our intention at this stage to go into the details of these grievances, my Committee cannot but make a reference to the grave dissatisfaction that has resulted from the ineffective and inefficient administration of the import trade control. The grievances of the public did not arise so much from the rigidity of the control policy as from the administrative vagaries. Applications for licences remained unattended for long periods and repeated requests for expediting decisions did not evoke the expected response from the Department. While such difficulties might appear of little moment to the persons in authority, these inflict real and severe hardships on the commercial community, involving at times heavy losses to them. To give you an instance in point, the procedure of giving intimation regarding revalidation of licences has been responsible for much hardship and avoidable losses. In several cases, Government intimated revalidation of licences to the parties concerned just before the expiry of the period under revalidation. Sir, you will realise the tremendous difficulty and inconvenience which the parties, placed in such a position, had to experience. It has also been represented that the departmental officers concerned did not extend that measure of courtesy and consideration which were due to the importers. The Chamber had to face many complaints from Member-Bodies as also member-firms for which it was unable to offer any satisfactory explanation. My Committee feel that while there might have been some justification for this state of affairs immediately before and after the partition of the country, they regret that no appreciable improvement is yet discernible. My Committee hope that you are probably already aware of the above difficulties and it will not be out of place for my Committee to seek an assurance from you that these grievances will be looked into in their proper perspective and steps will be taken to set right the entire machinery.

The Government of India have recently notified a list of capital and consumer goods which can be freely imported from sterling and soft currency areas. My Committee welcome the inclusion of many essential articles comprising of capital and consumer goods in the Open General Licence, under the recent notification. However, the trade is looking forward to a comprehensive statement announcing Government's policy in regard to import control in the light of the recent agreement on Sterling Balances. They would also particularly like to know the position of imports in respect of hard currency countries. It is also felt that though some of the industrial raw materials and capital goods have been allowed to be freely imported from soft currency areas, the same may not be easily available to the required extent and within a reasonable period of time. In this connection, my Committee would welcome any clarification that can be given in respect of the policy with reference to the soft and hard currency countries.

Export Control :

Having referred to the need for a reorientation in the import policy, my Committee would now like to make a few observations on the export policy of the Government of India. It was during the time of your predecessor, Mr. C. H. Bhabha, that the need for a greater emphasis on developing the export trade of the country, both from a short-term and long-term points of views, was recognised and he, as you know, enunciated a comprehensive policy for the working of the export control at the first meeting of the reconstituted Export Advisory Council towards the end of 1947. The factors which were immediately responsible for concentrating attention on expanding our exports are mainly two, viz. (1) the lack of adequate foreign exchange resources to pay for the increased imports, particularly of food, and the adverse balance of trade position, and (2) the inability on the part of Government to secure the necessary amount of convertible sterling, from our accumulated balances. It was stated that after the lessening of the tempo of war activities, these export controls were exercised more and more in the interests of domestic consumers and producers. In this connection, my Committee feel that there is greater need for co-ordination between the export and import policies of the Government. A certain degree of balance between the import and export trades will facilitate the solution of the problem of meeting an adverse balance of payments.

My Committee feel that if the country is to launch on a vigorous export drive, the present basis of classification will have to be substantially altered with a view to meet the requirements of the new situation. In this connection, my Committee have already submitted to Government the lines on which such a classification should be based. Mr. C. H. Bhabha had also rightly emphasised then the need for exporting such articles described as dollar earners. But in this connection, the paucity of statistical data constituted the main handicap for arriving at even a rough target for the export possibilities of these goods. It is only Government that can institute the required enquiry by setting up suitable machinery and collect and furnish the basic data for calculating the target for export purposes. We would like to know if Government have by now instituted such an enquiry to collect the requisite information. There are certain other important aspects regarding the export policy to which my Committee would like to draw your attention. The regulations regarding import of essential raw materials and the regulations relating to the export of goods manufactured out of such raw materials need to be specially reconsidered. There is need for increased imports of essential raw materials in short supply like steel, non-ferrous metals, caustic soda and other chemicals. This will go a great way not only to relieve the internal shortage, but if imported with a plan, can help the country in exporting the same in a processed and manufactured form.

In this connection, my Committee would also like to invite your attention that under the existing conditions of disorganisation in various countries, there may be proposals for exporting on credit instead of on cash basis. They feel that Government should assist in completing such transactions by instituting a suitable machinery for the purpose so as to facilitate the export drive and also to maintain the export markets for the country.

Export duties—Forward Trading in oils and oilseeds :

Another impediment which Government might profitably consider is in connection with the export duties levied on oilseeds and oils. The duties, as revised on representations made by the commercial organisations, are Rs. 160 per ton on oils and Rs. 80 per ton on oilseeds. Government will realise that the amounts fixed for such duties are bearing heavily on the competitive capacity of the commodities in the world market.

While on this, my Committee would incidentally like to invite the attention of Government to the difficulties experienced in regard to normal trading as a result of the continuing ban on hedge trading in oilseeds. They would like to invite the attention of Government in this connection that, while in March 1947, oils and oilseeds were completely decontrolled, the restrictions on hedge trade continued to exist, perhaps through an oversight on the part of Government. My Committee fail to appreciate the continuance of such a ban on forward trade in oilseeds when such controls have been lifted in regard to commodities like cotton, bullion, etc. Oilseeds and their by-products have come to occupy a great importance in our national economy and particularly in our export trade. If the facilities for hedge trading in oilseeds were given such a step on the part of Government would help in stabilising the prices and facilitate marketing of oilseed crops in the country. Hedge facilities are considered essential under modern advanced economies, particularly for safeguarding the interests of the producers—the ryots. As Government are aware the main function of a hedge market is to protect the trader against all contingencies and to enable him to sell his produce at a fair and reasonable price to the buyers who take the load off the market. Under the present ban, all these essential features of a free market are denied and as such the trade has to function under restrictive influences detrimental to all interests concerned. Ban on forward trading having been a war-time measure should have been in normal course withdrawn following the end of war. It is, therefore, hoped that Government will give their earliest consideration to this aspect of the question and see their way to remove the existing ban on forward trading in oilseeds, particularly in groundnuts and linseed.

Licensing Fees :

My Committee would like here to invite your attention to the Government proposal to introduce a scheme of licensing business

houses trading in import and/or export and levying of a fee of Rs. 500 per annum on such business houses. By this time, my Committee hope, that Government are aware of the reaction of the trades concerned on the proposed scheme. It is the view of my Committee that the proposed scheme in principle would militate firstly against the freedom of trade and secondly it would be against the canon of equity to seek to tax business at the outset without any profits having accrued. My Committee would, therefore, strongly urge that the proposal be not proceeded with.

My Committee note that the Government of India have already begun to explore the possibilities of expending India's foreign trade through bilateral trade agreements which may prove mutually advantageous. This has become necessary in view of the urgent requirements of the country in respect of essential industrial raw materials and capital goods and machinery, and the non-availability of the same according to our time schedule of delivery in U.K. and U.S.A. Reports have appeared in the press that the Government will shortly have trade talks with Russia, Yugoslavia, Switzerland and other countries. Besides, trade talks have already taken place with U.K. and U.S.A. It is also reported that the Government of India are at present examining the provisions embodied in the draft treaty of friendship, commerce and navigation submitted by the U.S. Embassy in New Delhi in February last. My Committee would like to know if this report is correct and the decision, if any, which the Government have arrived at regarding the Indo-American Trade Agreement. Recently the Government had also the opportunity of having trade talks with the Technical Mission from Czechoslovakia. From all these, it appears that our import requirements as well as an expansion in our exports can be effected through such bilateral trade agreements. My Committee urge that Government should take into confidence the commercial and industrial community and avail of their experience and knowledge at all stages in regard to such agreements. They would, therefore, like to be enlightened about the stage at which the contemplated trade agreements remain and also the countries with which trade agreements are proposed to be concluded in the immediate future.

In this connection, they would like to emphasise, as on previous occasions, that the expansion of Indian Shipping is vital to our overseas trade. In all important maritime countries, development of shipping is recognised as a matter of national policy. India, with a coastline extending well-nigh over 5,000 miles, with a plan for expansion in her foreign trade and numerous harbours, has an important part to play in the carrying trade of the country. The merchant fleet is an important element, not only in the sea power of a nation but essential for the security and defence of the country. Our complete reliance on foreign shipping so far for the transport of our exports and imports to and from overseas countries has seriously affected the maritime trade of the country

during the past years and particularly during the war period. Government have set a target of 20 lakhs of tonnage of shipping for carrying India's entire coastal trade and a substantial portion of carriage of overseas import and export trade in Indian bottoms. In order that this target may be reached, my Committee would suggest, that in the proposed trade agreements with the various countries now in progress, a clause should be inserted specifically mentioning that a definite percentage of the trade between the respective countries should be carried in Indian ships. Besides, due consideration should also be given to the desirability of exploring ways and means for expanding the operation of Indian banks and insurance companies in such foreign countries for financing trading operations and undertaking normal business activities.

Appointment of Trade Commissioners abroad :

My Committee welcome the appointments of Indian Government Trade Commissioners in various foreign countries. They also appreciate that some of the appointments have been made from non-officials competent to discharge the duties and functions of their offices. It will be too premature at this stage to comment upon the work of the Commissioners as they have taken up their posts only very recently. The Committee would, however, make some observations in regard to their work in the foreign countries to which they are attached. They are important links between the overseas markets and the Indian commercial community. A large field remains to be covered in respect of expansion of overseas trade. The Committee would like to know the scope, powers and functions of the Trade Commissioners and their relation with the Embassies to which they may happen to be attached. They would suggest that it would help the commercial community in the country if the Trade Commissioners were permitted to communicate directly commercial information to the representative trade and commercial organizations in India. It would very much help Indian trade if systematic marketing surveys of various countries assessing the possibilities of trade with them were made available more frequently giving from time to time statistical and other information. In view of the enlarged scope suggested above, Government should expand and strengthen the present organization of the Trade Commissioners wherever necessary.

Reciprocal rights for Indian Trade :

Since India has attained the status of a free sovereign country, Government should control and regulate the commercial and trading privileges enjoyed by the foreign nationals here on a reciprocal basis. Such privileges and rights to carry on and establish business and industrial enterprises as are accorded to foreign nationals in this country should be claimed for Indian nationals in their foreign countries on a reciprocal basis.

In this connection, my Committee would refer to the position of Indian nationals in the U.S.A. and impress upon Government the necessity for regulating the rights and privileges enjoyed by the American nationals on a reciprocal basis to enable Indian nationals to enjoy similar rights and privileges in the U.S.A.

Insurance Amending Bill :

The Government of India had introduced in the Central Legislative Assembly during its Budget Session in 1946 two Insurance Amendment Bills, of which one was passed by the Central Legislature during the same session. The second Bill provides for limitation of overall costs of insurers and contains other salutary features designed to bring about a better order in the business of insurance. The Bill is based in the main on the recommendations of the Insurance Enquiry Committee as modified by the Select Committee of the Legislative Assembly in 1945. The Bill was also considered by the Select Committee in December 1946 and the Report of the Select Committee was presented to the Assembly in the last budget session. The Bill, however, could not be proceeded with in view of heavy legislative programme before the Assembly.

The Bill was expected to come up for consideration before the present Constituent (Legislative) Assembly during its current session. On 30th January 1948, however, the Hon'ble the Commerce Minister, Mr. C. H. Bhabha, announced the withdrawal of the Bill. Explaining the reasons for withdrawal, he stated that as a consequence of the mass migration of population and other factors, insurance companies were faced with new problems. Further, the withdrawal of the Banking Bill also affected the Insurance Bill. It was the intention of Government, the Commerce Minister added, after consulting various interests concerned to bring forward a new Bill on the subject.

We would like to point out here that the Insurance Amendment Bill was the outcome of a series of conferences, negotiations and discussions held over a period of years, particularly in respect of provisions for the imposition of ceiling on overall expenses, for capital structure and voting rights and control of investment of life insurance funds. These provisions are designed to put the business of insurance on a sound and rational footing, and it is surprising that our National Government should have chosen to withdraw the Bill at the present stage when the Indian insurance is passing through a critical period on the plea that new problems have arisen as a result of the transfer of population.

We would, however, like to point out that the various provisions of the Bill are absolutely essential to ensure the future development and progress of Indian insurance business on sound and healthy lines. Having regard to the urgency and importance of the matter, we earnestly request the Government to bring forward early a new Bill incorporating the important provisions of

the Amendment Bill, as any further delay is likely to jeopardise the interests of policy-holders and retard the future progress and development of Indian insurance on sound and healthy lines.

Summary of replies given by the Hon. Mr. K. C. Neogy, Minister for Commerce, Government of India.

The Honourable Mr. K. C. Neogy, Minister for Commerce, Government of India, thanked the President and members of the Committee of the Chamber for having given him an opportunity for exchange of views on many vital problems connected with trade and commerce. He observed that he was aware of the great difficulties experienced by trade and commerce relating to the import trade control machinery. He referred to the latest notification relating to import trade control and stated that the Open General Licences had been considerably liberalised in the schedule attached thereto. He also gave the Committee to understand that they would further liberalise the Open General Licence. This in his view would lead to considerable reduction in the work of the Import Control Department and consequently the Department would be able to attend to the work more promptly in future.

The Honourable Minister further informed the members that considerable addition had been made to the staff, both in Delhi and in Bombay to cope up with the increasing volume of work. He particularly mentioned that applications from new-comers were mainly responsible for abnormal increase in the work. He added that the total value of the imports applied for as a result of the new-comers' applications for licences had gone up very high.

In regard to the effect of the latest agreement regarding sterling balances on the Government policy of import control, he was not in a position to enlighten the Committee at the moment. However, he assured that a comprehensive policy in regard to import control would be soon considered particularly with reference to the hard currency countries.

He gave an assurance that Government would give help in increasing imports of essential raw materials like caustic soda, non-ferrous metals, etc. Government were already negotiating with the U.S.A. to increase the quota for caustic soda for India.

In regard to the question of encouraging exports, he assured that the Export Advisory Council which was meeting shortly would consider the question of addition of items to export lists which would earn hard currency for the country. He at the same time suggested that business organisations should look into this question and help Government in organising new lines. Government were considering in this connection the proposal to encourage exports of Indian handicrafts to the dollar countries.

He agreed to look into the question of export duties on oils and oilseeds, and gave an assurance that the question would be

examined in the light of the suggestions made by the Chamber. In regard to the removal of the ban on forward trading in oils and oilseeds, he said that he had not enough time to study the question, but promised to go into it at an early date.

In regard to the proposed licensing fee, he admitted that the circular in question was issued through an inadvertence and in fact Government had no intention to impose any levy of such fees except imposing a fee of Rs. 25 for applications by newcomers.

The Minister observed that a draft treaty with Switzerland had almost been completed and would soon be finalised. The general nature of the treaty was on the lines of the most-favoured-nation clause treatment. Besides, trade treaties with other countries were under consideration. He also mentioned that a similar bilateral trade agreement was likely to be concluded with Japan.

In regard to the question of development of Indian shipping, he referred to the formation of their Government Corporations, partly financed by Government and partly by the shipping companies in India, which would enable Indian shipping to participate in our overseas trade with the U.K., America and other foreign countries. He, however, envisaged one difficulty in the development of such foreign lines and that was inadequate personnel for manning the ships and in regard to which he had specially come down to Bombay. He was glad to announce that there would be increased facilities for training of 80 Deck Officers and a similar number of Engineering Officers. He further assured that efforts would be made to provide a clause regarding reservation of a share for Indian shipping in all future trade agreements with foreign countries. He also agreed that similar rights would be secured for the development of Indian insurance and Indian banking on a basis of reciprocity.

On the question of appointment of Trade Commissioners he referred to the difficulty of securing suitable persons for the appointments which are yet to be made. Reference was particularly made to Egypt, Australia, Karachi, Burma where appointments of Trade Commissioners would shortly be made. In fact, it was the object of Government to create a network of such offices all over the world.

As to the scope, powers and functions of the Trade Commissioners, he said that they were attached to the Embassies and would, as such, function within the overall control of Embassies. But for all practical purposes, they were in a position to deal directly with the Ministry of Commerce. Besides, even in the creation of the Embassies, due regard was being given to the commercial side of the staff.

Regarding the Insurance Amending Bill, he gave an assurance that the Bill would be comprehensively re-examined in con-

sultation with the Insurance and trade interests and thereafter the same would be introduced in the Legislative Assembly.

APPENDIX 47

Interview with the Chief Controller of Imports

Memorandum on the points for discussion with Mr. G. R. Kamat, I.C.S., Chief Controller of Imports, at the meeting with the Import-Export Sub-Committee of the Indian Merchants' Chamber, Bombay, on Wednesday, the 22nd September 1948, at 3 p.m.

The Import Trade Control policy was recently reviewed and as a result, on 26th July last, Government issued a fresh notification outlining the principles governing the issue of Import Licences for the period July to December 1948. This was followed by a further notification on 15th September. Under the revised arrangements the control has been liberalised and, consequently the trade is looking forward to the rigours experienced by them under the previous policy of rigid control being considerably minimised. We are, therefore, on the present occasion confining our observations to matters which are, more or less, of an administrative character, as suggestions in regard to changes in the revised policy in its present form can naturally be made only after the trade has had some experience of the working of the same.

Import Advisory Council :

We would take this opportunity of reiterating our earlier suggestion that Government set up an Import Advisory Council similar to the Council functioning in the sphere of Export Trade for advising Government on the main features of the Import Trade Control policy, the targets to be fixed for particular periods, the quantitative ceilings for different groups of imports and the procedure and basis governing the grant of import quotas and licences. Major changes in policy should be decided after due consultation with such a Council. Similarly, the question of appointing Local Advisory Committees at the different Port Centres to advise the Import Trade Controllers at the respective ports on difficulties of a local character may also be considered. Apart from such bodies exercising a healthy check in the administration of the control policy and scheme, the step is likely to bring about a greater measure of confidence in the public. The need for such an Advisory agency is being stressed before us by the trade interests concerned from time to time.

Administrative Delays :

The most common and major grievance is against the administrative delays in dealing with applications for import licences.

With many items being placed under the Open General Licence, there should naturally be a reduction in the volume and intensity of the Departmental work. Even after the coming into force of the revised control scheme, delay in acknowledging and dealing with applications, according to complaints, persists. Government should impress on the administrative heads regarding the desirability of dealing with all administrative matters expeditiously. Every communication addressed to the Department should evoke a reply within a reasonable period and applicants should not be kept in suspense for long.

The administrative and office arrangements should make the necessary provision for applications being sorted out immediately on receipt and grouped according to sections, so as to facilitate their immediate handling. If there are any omissions of a formal character in the applications, an immediate opportunity should be afforded to the applicants to rectify the same by furnishing the additional details. If necessary, the staff in the Import Control Office, both at the Port Centres and at Headquarters may be adequately strengthened to achieve this object.

Administrative officers may be appointed in the Import Trade Controllers' Office in the two port centres for dealing immediately with difficulties and complaints regarding departmental delay. Opportunities for personal interviews and discussion with such officers should also be freely granted. We understand that at the Headquarters in Delhi such a facility is now available ; the same may as well be extended to port centres.

Arrangements should be made to issue a revised edition of " The Handbook on Import Trade Control " and copies of the publication should be released in sufficient numbers and made available at a nominal cost at all port centres.

Adequate supplies of application forms should be made readily available not only at all the ports, but also in other important centres of trade. Supplies of forms may also be sent to important Chambers of Commerce and Trade Associations for distribution.

Import Trade Control Bulletin :

The Department should arrange for issuing a Bulletin at regular periodical intervals in which information about all changes in policy or procedure relating to Import Trade Control should be published. The publication should also include, from time to time, a list of the licences issued by Government. The list should contain particulars of the names of parties to whom licences have been issued, items covered by the licence and the amount of the licence either in quantity or value. It is felt that if full information is disclosed in the above manner, many of the malpractices complained of will automatically disappear.

Similarly, Government may also consider the desirability of disclosing the overall limits of goods proposed to be allowed to be imported under the control scheme and the distribution of the same as between the countries under the different currency areas. We would also like to know if it is feasible to disclose the monetary ceilings prescribed for different items which are subject to such ceilings.

Procedure for Appeals in case of Rejected Applications :

Where applications are rejected, as far as possible, the Department should give reasons for the same. In regard to items for which applications are to be made to Deputy Trade Controllers, in respect of rejected applications, an appeal should lie to the Chief Controller. The decision on the appeal should also be communicated without much delay.

" Freely Licensed " Items :

Although the intention to allow imports " freely " of certain items has been announced, still, under the existing procedure, the formality of having to make an application and to get a licence is being adhered to. The desirability of placing such items under Open General Licence, wherever possible, may be considered so that the formalities involved in making applications and getting licences may be dispensed with.

Surplus Quota :

It would appear that at present the surplus quota available at the end of the previous licensing period is being distributed without any relevance to the main consideration on the basis of which regular licences are given. As far as possible, instead of such *ad hoc* distribution, the surplus may be utilised for increasing the monetary ceiling for the next shipping period or for bringing the item or items concerned under Open General Licence. Casual distribution at the end of the shipping period gives rise to complaints about the exercise of favouritism.

Conditions attached to Import Licences :

Under a notification dated 6th March 1948 the Department was empowered to attach certain conditions while granting import licences. One such condition is that the licence would be subject to the requirement that the goods covered by the licence shall not be disposed of without the written permission of the Licensing authority. While we realise that it is necessary to ensure particularly in the case of goods which are scarce, that the distribution is effected in a manner which would serve the larger interests of the country, it is, at the same time, necessary to take note of the practical difficulties involved in such freezing of supplies. We suggest that there should be an automatic time limit to the duration of the freezing under the condition and it should be provided that if within a given period of one month from the

date of importation, no orders are received from the Department regarding distribution the importer should be free to dispose of the same.

It would appear that under the present procedure in respect of items, the distribution of which is controlled in the above manner, release orders are actually issued only after the goods are landed in the country. In order to facilitate timely clearance and quick disposal, it is suggested that with the approval of the release authorities the importers may be permitted to enter into firm commitments for the sale of supplies expected to be imported under the licences. This facility will very much assist the handling and quick movement of imported supplies.

Imports of Goods from Pakistan :

Goods coming into the Indian Union territory from Pakistan are not subject to the restrictions in force under the Import Trade Control. In determining the scope and extent of the Import assistance, Government are, to some extent, guided by the availability of the particular goods in the country from indigenous manufactured supplies. The possibility of foreign goods being first imported into Pakistan and then re-exported to India without being subject to the formalities of the Import Trade Control here, should not be overlooked, as any such development, besides jumping over our own control, will incidentally harm the interests of the corresponding Indian industry. Instances where such developments had taken place have already been furnished to the Department.

Grant of Licences to Industrial Consumers :

Industrial and other consumers are being granted licences freely to import their own requirements. While there can be no grievance against industrial consumers being assisted to secure supplies required by them, some check, at the same time, appears to be necessary with a view to ensure that such direct imports are only to the extent of their actual and *bona fide* needs. The regular import trade, in many cases, fears that taking advantage of the above concession, industrial consumers are likely to import more goods than are actually needed for their own requirements, and in turn, becoming themselves dealers in such goods. It is necessary to provide that licences would be granted to such consumers only to the extent of their actual requirements and that the necessary assurances should be obtained from the manufacturers that the goods imported under such licences would not be placed on the market for sale. We understand that particularly in regard to dyestuffs there have been occasions for complaints in the above direction.

Fee for Applications :

In the case of new-comers, a fee of Rs. 25 per each item of import has been prescribed. The trade feels that this levy is

unjustified. If with a view to check frivolous applications Government consider that such a levy cannot be dispensed with, they should at least examine the possibility of the fee being returned in cases where the applications for licences are not granted. At all events, fees received in respect of items which have subsequently been placed under Open General Licence should be returned as Government, having dispensed with the necessity for licence, the fee paid along with the application should no longer be retained.

Control on Imports of Raw Silk and Spun Silk Yarn :

Imports of raw silk and spun silk yarn still continue to be under control. We have recently drawn the attention of Government to the difficulties resulting from that position. The indigenous silk manufacturing industry is greatly handicapped in securing its essential requirements of raw materials. There is an unfulfilled demand for silk fabrics both for internal consumption and for export. We request that the position may be reviewed so as to provide for licences being issued to the extent of the minimum requirements of the industry.

Form of Application for Licences :

On examination, the following items, under which information is required, are considered not material or necessary for the purpose of the import trade control and, therefore, it is suggested that the items should be deleted :

1. The whole of item 5 requiring information in respect of mode of procurement of goods.
2. Under Item No. 9 re : General information to be furnished, sub-item (*e*), viz. nature of contracts established with overseas concerns, etc. The above information, moreover, is in the nature of trade secrets and it is not fair that importers are compelled to disclose the same.
3. The form again calls for information about income-tax payments. We have already represented to Government that this information is not at all relevant for the purpose of administering the Import Trade Control.

Summary of replies given by Mr. G. R. Kamat, I.C.S., Chief Controller of Imports.

At the outset, he referred to the two Government announcements regarding the revised Import Trade Control policy and stated that in future Government intended to further liberalise the Import Trade Control regulations and include some more items in the Open General Licence.

Import Advisory Council : Government had decided to constitute an Import Advisory Council and that an announcement in that regard would be shortly made. (Announcement has since been made and a Council is being constituted.)

Administrative delays : While he admitted that there was certain amount of justification for complaints regarding delays in the past, during the coming months the grievances in a great measure would be removed as a result of the relaxation in the Control by way of including many additional items under the Open General Licence. He, however, drew attention to certain contributory factors causing delays, namely :—

(1) that many of the applications were made for items which had been already prohibited,

(2) that applications were sent to the Department incomplete and some of the relevant information was not submitted, and

(3) that in many cases, evidence of past imports was not furnished.

(4) Enquiries are often made on matters of policy, which are sufficiently clear from the published notifications.

He gave an assurance that a large volume of applications had been disposed of and that the remaining lots would soon be dealt with. He further referred to the handicap of the time limit which was prescribed during the January-June shipping period for making applications. This limitation, however, has been removed in prescribing July-December licensing procedure for actual users and established importers and hence disposals should be expedited.

In reply to the demand for administrative officers at the different ports, he stated that such officers were already functioning at Calcutta and Bombay with the exception of Madras, as there was not heavy work at that port to warrant such an appointment.

In regard to the complaints that interviews were not readily granted to the visitors at Delhi in connection with the difficulties experienced in regard to the Import Trade Control, he was of the view that in the first instance the parties seeking such interview should exhaust all other means of ascertaining the correct position in regard to their difficulties and then only an interview if necessary should be sought. In respect of grievances which could be only dealt with the Department, he gave an assurance that in such cases Government officers would be freely accessible.

He informed the Committee that a revised edition of the Handbook on Import Trade Control was to be shortly taken up for preparation. He, however, wanted the Chamber to make suggestions as to the type of information that should be usefully embodied in the handbook. He further explained that the handbook would contain general information only and not details of procedure and policy as the same would undergo changes from time to time.

In regard to the demand for supplies of application forms being made available at the port centres, he stated that these forms are not supplied by Government. He submitted that the same

may be printed by the respective associations for the use of their constituents. He also stated that the applicants may prepare their own forms on the basis of the prescribed forms attached to the Import Trade Control Notifications.

Import Trade Control Bulletin : He agreed to the usefulness of publishing periodically bulletins giving information regarding licences already granted and stated that early steps were already being taken in that direction. (Government have since then made a start by issuing weekly lists of licences granted at the ports and at headquarters and supplying copies thereof to Chambers and Associations.)

Procedure for appeals in case of rejected applications : While no right of appeal was recognized as such in case of rejected applications, he submitted that every case of difficulty would be reviewed on merits. In the past appeals arose out of import licences being granted on the basis of value. He, however, felt that such occasions should not arise hereafter in view of the inclusion of a large variety of items in the Open General Licence advantage of which could also be taken by the new-comers.

Freely licensed items : He explained that the freely licensed items in the last six months' period were now included in the Open General Licence which applied only to soft currency and sterling areas, the exchange position in regard to which has much improved. The items included in the Open General Licence, however, could not be imported from the hard currency and dollar areas, as the exchange position in regard to those areas continued to be difficult, and no relief as desired was possible for some time to come. He, however, gave an assurance that a close watch would be kept on the position in regard to imports made from sterling and soft currency areas in respect of licences granted for import of capital goods. He admitted that the flow of such capital goods was disappointing as a result of which considerable amount of foreign exchange had remained unspent. Government had, therefore, decided to utilise such unspent balances for import of essential consumer goods. He also stressed that it was necessary that the dollar resources of the country should be utilised only for import of capital goods, essential spare parts and important raw materials, while the import of relatively less essential goods might be restricted to the soft currency countries.

Surplus Quota : As there was no surplus quota at the end of the previous shipping period, the question of disposal of the same did not arise.

Conditions attached to import licences : While he maintained that the conditions attached to licences regarding disposals and distribution after arrival were necessary in respect of certain articles like caustic soda, soda ash, etc., he agreed that release orders should be issued by the Department concerned within a reasonable period from the date of import of such articles. He further stated

that if the importers gave notice of arrival of such goods fairly in advance, the Distribution orders might be issued before arrival of goods.

Import of goods from Pakistan : He was of the view that the fear of such goods flowing out of Pakistan into the Indian Dominion had no justification as Pakistán Government would naturally seek to restrict the exports of goods obtained at the cost of their own exchange disbursements.

Grant of licences to industrial consumers : Licences were now being issued to industrial consumers with a specific condition that the goods imported by them were for their exclusive use and not meant for re-sale in open markets. He assured the Committee that such licences were issued only to the extent of their requirements as far as such requirements could be ascertained.

Fee for application : He said that the fee prescribed for applications from new-comers was levied with a view to prevent frivolous applications. He hoped that under the conditions prevailing at present with regard to the volume of applications received by the Department, the fee prescribed would act as a check only on frivolous applications.

The suggestion that the application fee should be returned in respect of rejected applications was not practicable owing to the complicated administrative procedure attaching to such refunds.

Control on imports of raw silk and spun-silk yarn : The matter was under consideration of Government. He, however, gave out that it will take about two or three months to arrive at a decision.

Form of application for licences : In reply to the suggestion that certain items included in the form of application for licences should be deleted, being not material or necessary for the purpose of the Import Trade Control, he submitted that information invited by the items under question was necessary to judge the merits of the applications from the new-comers as also to check duplications of applications by the same applicant in different names. He also felt that the item regarding income-tax would reveal the standing of the person or the firm applying for the licence.

Thereafter, during the general discussion specific difficulties were brought to the notice of the Chief Controller ; a brief summary of the discussion is as follows :—

In regard to the difficulty in respect of the time limit of six months attached to the licences for import of capital goods, the Chief Controller stated that the limit was necessary to enable Government to maintain a record of commitments made on account of such imports from time to time. He felt that no difficulty should be experienced as the validity of such licences was extended to the required period of delivery as soon as evidence of firm's contracts is furnished.

In reply to a question, it was stated that a number of goods could now be imported from Japan without licences under Open General Licence XIII for a limited period. As regards piecegoods, only grey piecegoods, he said, were included in the Open General Licence.

Re : difficulty disputes with Customs at the time of clearance as to the classification of articles under the same serial No., proper description of the item should be furnished in the application, so that the licence clearly specifies the article to be imported.

In reply to a question in respect of a licence covering more than one consignment, it was explained that the consignments could be cleared by the importers as and when they arrived so long as the total value of the licence was not exceeded.

Regarding replies from the Department in respect of applications, it was stated that if full information as required was furnished in the application, the reasonable time for receiving the reply in respect of freely licenced goods, was one week from the date of receipt of the application in the Department.

Question was put as to why applications in regard to items liberally licensed should be referred to New Delhi. It was suggested that in respect of liberally licensed articles, the port Authorities should be authorised to deal with them. The suggestion was taken note of.

The suggestion that licences be permitted for goods imported from hard currency sources and paid for in soft currency on the supplier agreeing to the arrangement was generally not feasible, as it naturally involved indirect payment against the hard currency balances.

Information was elicited that only the Chief Controller could issue bulk licences for certain raw materials required by manufacturers, as the articles were subject to monetary ceiling.

In reply to a question, it was stated that import of glazed tiles were allowed under Open General Licence under Item No. 242 of Part IV of the Import Trade Control Schedule while import of the same under Item No. 239 was subject to monetary ceiling.

Attention of the Chief Controller was drawn to the position that while import of finished medicines was allowed under the Open General Licence, import of basic chemicals was not so allowed.

Attention was also drawn to the desirability of proper definitions of " Capital Goods " to suit different industries.

It was suggested that the manufacturers should be allowed the facility of obtaining licences for import of raw materials which are scarce.

A suggestion was made that licences given to consumers for import of newsprints should also be issued to the traders and that licences for paper-boards should be granted freely.

Reference was made to the conditions attached to licences in respect of certain restricted items and it was suggested that consumers' licences also should be subjected to release instructions.

In reply to a question the Chief Controller stated that the applicant was entitled to apply as an established importer for all the items covered under a particular serial No. provided he has imported in the past any article falling under the serial number, and that a list of the items contained in the serial No. should be sent along with the application.

Reference was made to the licences for import of caustic soda and soda ash for which ceiling rates were fixed. It was likely that the importer would ultimately close the deal with the foreign supplier at a rate lower than the one mentioned in the licence. The importer should be allowed in such instances to utilise the surplus exchange for importing the appropriate surplus quantity against the exchange granted. This was agreed to.

Suggestion was made that import of dyestuffs from Japan should be allowed under Open General Licence. It was desired that Caustic Soda also be imported under Open General Licence.

APPENDIX 48

Import Trade Control

Letter No. 1589, dated 18th May 1948, from Chamber to the Chief Controller of Imports.

I am desired to request you to kindly furnish the following information in connection with the administration of the Import Trade Control :

(*a*) the overall limit in value fixed for imports during the current year ;

(*b*) the proportion, if any, which has been set apart for being licensed for imports through new-comers ;

(*c*) the proportion similarly reserved for imports by direct consumers ; and

(*d*) the proportion reserved for imports through established importers.

An early reply is requested.

Letter No. Br.A.Pol.(5417-B)/48/10379, dated 30th June 1948, from the Chief Controller of Imports to Chamber.

With reference to your letter No. 1589, dated the 18th June, on the above subject, I write to say that for obvious reasons information regarding overall monetary ceilings for imports of different items from abroad cannot be divulged to the public, as such information is official secret.

As regards (*b*) it may be stated that due to inadequacy of funds extent of reservation for new-comers is not based on any fixed proportion, but it varies with different items. In some cases, there is no reservation for new-comers but applications are considered on an *ad hoc* basis. In regard to (*c*) it may be pointed out that direct consumers are given licences having regard to the overall monetary provision, but in no case are licences issued to them to cover more than their six-monthly requirements.

Established importers do generally get licences on basis of their past performances. They are given quota licences on basis of imports during some particular period on some fixed percentage.

APPENDIX 49

Import Control Difficulties

Letter No. 2003, dated 22nd June 1948, from Chamber to the Chief Controller of Imports.

I am directed to invite the attention of Government to some of the difficulties experienced by the importers under the Import Control Policy of the Government of India. My Committee have received various representations from different trades concerned in the importation of goods from abroad. The trades have represented their specific difficulties. They have, therefore, synthesised them under specific heads. The points stressed below principally apply generally to various trades and my Committee trust that Government will be pleased to give the matter their earnest consideration.

Issue of import licences to new-comers :

There is a growing feeling amongst the established importers that they are slowly being ousted out to give place to new-comers who have practically little or no experience in the line in which they wish to secure import licences. While there can be no objection to reserving some quota percentage for persons entering new lines of business, there is some justification for the plea that such reservation for new-comers should be advantageously used by parties who have general trading experience in the import business. Such parties should also be in a position to satisfy the Licensing authorities that their entry into trade was not casual but that they intended to seriously pursue and develop the lines on long-term basis. My Committee, therefore, request Government that the new-comers' licences may be issued to parties who can satisfy the authorities that their interest in the lines in which they have secured licences is genuine.

Publication of lists of licences issued by Government :

During the last interview my Committee had with the Chief Controller of Imports, he had desired their views on two specific

proposals, one of which was the publication of a list of licences issued by Government. My Committee, in their communication dated 7th January 1948, had conveyed that full details of the licences issued should be published periodically which would serve as a check on malpractices like favouritism, transfer of licences, etc. Representations have again been made to my Committee regarding the urgency of such publication. My Committee would, therefore, like to reiterate their request that lists of licences issued by Government should be published from time to time at suitable intervals containing particulars of the quantities and values of imports allowed under different licences granted.

Grant of licences to industrial consumers :

It would appear that under the present import control policy of Government industrial and other consumers are being granted licences freely to import their own requirements. While such consideration is being shown to the consumers for securing their supplies, some check would appear to be necessary inasmuch as such consumers should be allowed to import their requirements only to the extent of their actual and *bona fide* needs. The trade apprehends that the consumers, taking advantage of the above concession, were likely to import more goods than their actual needs and thus would become dealers for disposing of their surplus which cannot be the intention of Government. My Committee have examined this difficulty and would suggest that the industrial and other consumers should be granted licences only to the extent of their actual requirements and that assurances should be obtained that the goods imported under such licences would not be brought into the market for sale.

Issue of import licences for goods from non-dollar areas :

My Committee have received representations that owing to shortage of dollar exchange Government have been turning down applications for imports of many of the essential goods to be imported from the U.S.A. and other hard currency countries. It is suggested that under the circumstances issue of import licences for such goods from non-dollar areas should be liberalised. It is hoped that Government will give their earnest consideration to the above suggestion.

Consultation with the various Trade Advisory Committees appointed by Government :

My Committee would like to invite the attention of Government to the dissatisfaction prevailing among the importers as a result of refusal by Government to grant import licences in the case of several commodities and articles which are considered as essential. While my Committee presume that Government are giving their best consideration before rejecting such applications for the issue of licences, they would like to draw Government's attention in this connection that advantage is not being taken by them of

consultation with and advice of the various Trade Advisory Committees instituted by them. They would, therefore, suggest that before turning down applications for the grant of licences, the relevant Advisory Committees should be consulted in the matter.

My Committee would like to add that while the above suggestions are made in the interest of the various trades generally, they particularly concern the dyestuff trade who have made strong representations in this behalf.

It is urged that Government will be pleased to give due consideration to the above suggestions of my Committee and take early steps to implement them.

APPENDIX 50

Fixation of Basic Years for purposes of Import Quotas

Letter No. 478, dated 20th February 1948, from Chamber to the Chief Controller of Imports.

The Committee of my Chamber would like to draw your attention to the difficulties that are being experienced by a group of merchants in the matter of complying with the requirements of the Import Trade Control Regulations for submission of proofs as evidence of imports in the basic period in support of their applications for import licences. As you are, no doubt, aware, there was a serious explosion in Bombay in the year 1944. The damage done to a particular part of the City where a large number of merchants had their offices and business premises was almost complete and of a very serious nature. In consequence, the merchants of the locality, principally the area known as Mandvi, had, among other things, lost all the records connected with their trade. There were a large number of merchants in this area who had been doing import business since a number of years particularly from countries near about such as Strait Settlements and Malaya. These merchants are now being faced with the problem of their claim to import licences being not considered because of the difficulty in producing the necessary evidence in support of past performance in the basic period.

The difficulties to which the merchants from that locality were put to were recognised by the authorities in various spheres and reliefs and adjustments were provided for. The formalities connected with the submission of accounts, etc., in other spheres were also relaxed in their favour. It is, therefore but logical to suggest that their peculiar position should be recognised so far as the requirements under the import trade control regulations are concerned and such practical adjustments made which, while ensuring that the licences are given to people who were previously in the trade, at the same time makes the observance of the formalities less rigid so as to prevent chances of the parties concerned being denied their legitimate share of the trade.

My Committee would like to suggest for the consideration of Government that some sort of certificates from Associations recognised for the purpose may be introduced. Many of the importers in that locality are members of Trade Associations representing the particular trades in which they are interested. They may be asked as a first step to produce a certificate from the Trade Associations concerned to the effect that they were in the trade in the basic period and that their records of that trade were lost as a result of the explosion. For such cases, the facility of an alternative year may also be examined, i.e. they may be allowed import licences based on their import in subsequent year, i.e. 1946/47 and 1947/48. Government have already agreed that in suitable cases alternative basic periods will be considered where an importer concerned is not able to furnish to Government adequate proofs of his imports in the basic year generally announced. In the case of merchants who have lost their records in the explosion, the justification for this relief of an alternative basic period, as a general measure, is all the greater and it is hoped that Government will have no difficulty in agreeing to the same.

Letter No. 1-Pol.(28)/48/7022, dated 13th May 1948, from the Chief Controller of Imports to Chamber.

With reference to your letter No. 478 dated the 20th February 1948 on the above subject, I write to say that it has been decided that the importers who had lost their documents in Bombay Explosion should furnish either of the following evidence to the licensing authority in order to get licence for the article in question :

(*a*) evidence of any quota licence granted in the previous licensing periods ; (*b*) a certificate from dealers in foreign exchange indicating the remittances made through the Bank during the basic year by the importers for the goods concerned ; (*c*) a certificate from overseas suppliers showing the quantity and value of goods supplied to the importer during the basic year.

There may be cases in which even any of the information asked for above could not be furnished by the importers. The Chamber, in such cases, should write to the licensing authority concerned, with a copy to this office, the full facts of the case giving probable imports in the basic period and also in 1946/47 or 1947/48. Such cases will also be considered and quota licences granted, if admissible.

APPENDIX 51

Import Trade—Conditions attached to Import Licences

Letter No. 1300, dated 21st April 1948, from Chamber to the Ministry of Commerce, Government of India.

The attention of the Committee of my Chamber has been drawn to Import Trade Control Notification No. 2-ITC/48, dated

the 6th March 1948, under which it would be competent to the appropriate Authorities to attach certain conditions while granting import licences. One such condition is that licences may be issued subject to the requirement that goods covered by those licences shall not be disposed of or otherwise dealt with without written permission of the Licensing Authority or any person duly authorised by it. Government are understood to be working towards a policy of gradual decontrol. In that context, the imposition of fresh conditions, which amount to additional restrictions on the trade, is perhaps difficult to justify.

2. However, my Committee are on this occasion particularly concerned with the restriction involved in the condition above referred to. They realize that Government have deemed it necessary to include such a provision with a view to ensure that the goods covered by the licence in question are distributed in a manner which would serve the larger interests of the country. At the same time, it is necessary to take note of the practical difficulties involved in adhering to the requirements of the condition in the above general form. As it happens, the experience of importers is that orders for distribution of imported supplies are unduly delayed by the Department, with the result that the supply lies more or less frozen in the hands of the importer. Over and above the consequent inconvenience and disorganization in the day-to-day trading activities of the importer himself, the restriction has also the inevitable result of withholding supplies from those who are immediately in need of the same. In order to obviate chances of the condition resulting in vexatious delays in the necessary release orders, my Committee suggest that there should be an automatic time-limit to the duration of the " freezing under the condition ". It might be provided that within a given period of time, say one month, from the date of the importation, if no orders are received from the Department regarding the distribution of the supplies, the importer should be deemed to be free to dispose of the same.

3. The above safeguard, my Committee submit, while ensuring the main purpose of Government that they should have power to direct the flow of supplies to parties who are urgently in need thereof, will at the same time prevent chances of the supplies remaining locked up indefinitely to the detriment both of the importer and the other prospective consumers or buyers.

4. My Committee hope that Government will have no difficulty in agreeing to the above suggestion and in giving effect to the same immediately.

APPENDIX 52

Clearance of Consignments on Bond

Letter No. 51(51)-Cus/47, dated 19th May 1948, from the Central Board of Revenue to Chamber.

Please refer to your letter No. 3153 dated 21st November 1947.

2. On an enquiry from the Collector of Customs, Madras, the position with regard to the four cases referred to in your letter is understood to be as follows :—

(1) The importers were penalised nearly four months after the execution of the letter of guarantee for failure to produce the licence. They have, however, lodged an appeal with the Board in the matter whose decision will be communicated to them as soon as it is reached.

(2) The letter of guarantee was executed on 29th May 1947 and extension of time-limit was allowed upto 29th August 1947. As the importers neither produced a licence nor applied for a further extension soon after the expiry of the time-limit allowed, the Collector decided to enforce the terms of the guarantee, and accordingly imposed a penalty of Rs. 2,000. The licence due was, however, received by the Customs authorities from Bombay before the penalty could be recovered, and the order imposing the penalty and the letter of guarantee were, therefore, cancelled.

(3) No letter of guarantee executed in this case and the importers, who were referred to in this connection by the Collector, have not been able to substantiate the allegation.

(4) The letter of guarantee in this case was executed on 20th June 1947 and extension of time was allowed upto 19th August 1947. Neither an application for extension of the time-limit nor the licence was presented by the importers until 10th September 1947, when it was decided by the Collector to enforce the terms of the letter of guarantee. Accordingly, a penalty of Rs. 1,600 was imposed.

3. It would thus be seen that the policy followed in the Custom house in this matter is to grant extension of the time-limit where asked for. Further, in cases in which penalties are imposed and in which licences, clearance permits or other valid release orders are produced, the case is either reviewed by the Customs Collector concerned, if the requisite document is produced within the prescribed time-limit of 3 months from the date of the original order, or reported to the Board for review if it is too late for the Collector to do so.

APPENDIX 53

Cotton Samples from Overseas Countries

Letter No. 2767, dated 1st September 1948, from Chamber to the Central Board of Revenue.

As a normal trading practice small packets containing samples of cotton having no commercial value are, from time to time, being received by trade interests importing cotton in order to enable them to arrange for supplies on the basis of such samples. My Committee have recently received complaints about the difficulties caused by action taken by the Customs authorities either under the powers vested in them in connection with the Import Trade Control or under the provisions of the Destructive Insects & Pests Act, 1914, in confiscating and destroying such samples.

As far as my Committee are aware, no separate permission or licence is necessary for the purpose of the importation of such samples. They understand that the samples supplied free of cost of a value not exceeding Rs. 100 are, as a matter of course, allowed without licence. The presumption, naturally, is that the sample packets in question are being destroyed under the Destructive Insects & Pests Act.

My Committee appreciate the necessity for safeguarding against the importation of insects and pests through the medium of such samples. But for that there is the normal preventive measure of getting such supplies fumigated. It appears that as an administrative practice, all packets of the weight of over 4½ lbs. are fumigated and those below that weight are destroyed. If the above information is correct, my Committee wish to point out that the fixation of such limits in regard to weight is likely to lead to practical difficulties. The exporters at the other end, when they send samples by Air Mail, naturally send only a small quantity and after all it is difficult to insist that they should send samples in larger lots for the obvious reason that they are free samples. Even samples of smaller weights should be fumigated and passed on to the consignee or the addressee. It is needless to add that the trade will be prepared to bear the usual charges in force for such fumigation.

It is requested that Government will be good enough to give this matter their early attention and pass necessary instructions to the authorities at the port ends with a view for necessary arrangements for cotton samples of no value and in smaller weights being readily fumigated and passed on to the addressees.

APPENDIX 54

System of Deposits for Tenders

Letter No. 936, dated 24th March 1948, from Chamber to the Ministry of Industry and Supply, Government of India.

The attention of my Committee has been drawn to the practice of Government Departments requiring payment of earnest money to the value of about 1/10th of the value of tenders issued by Government, by the tenderers concerned. It is obvious that under the requirement complained of above, the parties tendering on a large scale would have to pay as earnest money amounts to the extent of lakhs of rupees. This means that a large amount of the capital of the industries would be locked up for the purpose of submitting such tenders. On closer examination, Government will find that the system would positively not be in the interests of industrial development in the country. My Committee feel that in the interest of industries, Government should adopt a system of requiring bank guarantees from the parties concerned with a view to obviate the necessity of industrial capital being locked up for such purposes. They are of opinion that a banker's letter of guarantee would equally serve the purpose. It is, therefore, urged that the above suggestion of the Committee will receive sympathetic consideration of Government.

APPENDIX 55

Quotas for Export of Oilseeds & Oils

Letter No. 2590, dated 21st August 1948, from Chamber to the Ministry of Commerce, Government of India.

Exporters and shippers of oilseeds and oils are, in terms of the revised policy and procedure, required to establish their figures of exports of oilseeds and oils during the period 1st January 1947 to 30th June 1948 in order to substantiate their claim for export licences. The implication obviously is that the licences in future will be directly linked to the share of exports of the individual exporter or shipper in the above basic period.

My Committee would like to draw the attention of Government to certain special considerations which would go to justify the general feeling in the trade that shipments made against licences granted during the period of 1st January 1947 to 30th June 1948 should not be deemed normal, as the grant of licences in certain portions of that period were not done on a basis which could be deemed as rational. It is also well-known that the political exigencies of a part of the period led to a good deal of personal favouritism in the matter of granting licences. In the interval between 1st January 1947 and 15th August 1947, namely before the country assumed full status of independence and the affairs of the Ministry of Com-

merce were in the hands of a Minister responsible to the people, the nebulousness in the political situation then had its share of repercussions of administrative vagaries. While my Committee are not desirous of attempting any postmortem examination of the state of affairs which then existed, they cannot help pointing out that particularly in the matter of the administration of the Export Trade Control, there was a lack of rigidity in the observance of a uniform policy. Consequently, licences came to be issued for exports of oilseeds and oils to applicants, who could not, if the normal tests were applied, claim to have any interest in the export trade as such. In the result, share of exports for licences issued in the above period is not a correct index of the interest which a particular shipper or exporter had or has in the export trade of oilseeds and oils. If future exports are also to be governed partly by exports against licences issued in the said period, the injustice will be perpetuated. My Committee are, therefore, of the strong view that if export quotas for the future are to be linked to share of exports in a basic period, the period chosen for the purpose should start for licences granted from 15th August 1947. My Committee hope that Government will have no difficulty in appreciating the reasonableness of the above demand.

One general complaint which has often been made in connection with the working of the system of granting export licences for oilseeds and oils is that people who have no abiding interest in the trade and who are not regular shippers and exporters have been able to get licences. Such a result, apart from the injustice which it involves to regular exporters by a constriction in the ultimate shares available for the regular trade, also leads to serious disorganisation in the handling of the trade. When people who are not actively interested in the trade come to handle it because of the fact that they have been favoured with export licences, they bring in the process into the trade various unhealthy developments. This has to be avoided. The trade should be handled by persons who have a lasting interest in the same. This long-range aspect is of special importance for preserving our trade connections with other countries. It is, therefore, very essential to ensure that the quotas are granted only to persons who can satisfy the authorities about their interests in the trade and about their capacities to discharge their obligations in an efficient and systematic manner. With a view to achieve the above object, my Committee suggest that the Government of India should set up an Advisory Committee for the purpose of scrutinising the applications received for export licences and making recommendations in regard to the same. The Advisory Committee should include persons having intimate knowledge of the oilseeds and oils trade. By their knowledge of the trade, the members of the Advisory Committee would be able to advise Government in regard to the claims and the eligibility of the applications for export licences. Even if the ultimate

responsibility of the allocation of the quotas and the grant of the licences rests with Government, such an Advisory Committee will be of considerable assistance to the Department in scrutinising the applications, deciding the general lines of eligibility and finalising lists of exporters who from all standpoints should be deemed to be eligible for grant of quotas.

It is hoped that Government will be good enough to take the above suggestions into consideration and do the needful in the matter at an early date.

V. GENERAL

APPENDIX 56

Questionnaire Issued by the Linguistic Provinces Commission

Letter No. 2782, dated 4th September 1948, from Chamber to the Secretary, Linguistic Provinces Commission.

I am directed by the Committee of the Indian Merchants' Chamber to refer to your letter No. CA/20/LPC/48 dated the 23rd July 1948 forwarding a copy of the questionnaire issued by the Linguistic Provinces Commission regarding the proposed provinces of Andhra, Karnataka, Kerala and Maharashtra. My Committee are thankful to the Linguistic Provinces Commission for affording this opportunity of placing before them their views and suggestions on the subject-matter under reference. They do not, however, at this stage, propose to deal with the questionnaire seriatim but would confine their observations to certain fundamental issues, which, according to them, are of vital importance in arriving at a satisfactory solution of the problem, which has necessitated the present enquiry.

In the opinion of my Committee, the problem raised by the reference to the Commission resolves itself into the following main issues :—

1. Whether any re-distribution of provincial boundaries having regard to the existing circumstances is justified or desirable ?
2. If, for reasons of a political character, re-grouping of provinces is deemed unavoidable, whether the present time is opportune for the purpose ? and
3. If, notwithstanding the merits of the question from the larger national point of view, it is ultimately decided to proceed with the work of re-distribution, what should be the basis on which the same should be attempted, in so far as the territories covered by the present questionnaire is concerned and with particular reference to the future of the City of Bombay ?

In the first place, my Committee are of the considered view that the present time is singularly inopportune for considering this question. The country is confronted with problems of a varied nature. The solution of these problems is demanding the undivided attention of both the Government and the governed. It is extremely desirable that national energies should not be diverted at such a juncture in the discussion of issues which are essentially sentimental and which, at any rate, are not of very great significance in the solution of the immediate problems before us. First things must come first and before we talk of re-grouping of provinces, we must first achieve the essential prerequisite of consolidating our present political situation. Just one year has passed

since the country attained freedom. As a nation, we are still in a period of transition. The draft of the future Constitution of Independent India is ready and it is yet to be finalised by being subjected to the normal procedure of legislative approval and sanction. Thus, the problems inherent in the existing fluid political situation are of a sufficiently intricate and of a varied character as to call for our undivided attention for sometime to come.

In addition, we find the economy of the country heavily battered by the impact of the effects of continued shortages in essentials of life. This has led to a good deal of discontent. Past efforts for correcting the disequilibrium in our economic conditions have not achieved the expected result and we find ourselves more or less overwhelmed by the problem. It is quite obvious that success of our efforts to secure smooth progress for our work in the constitutional sphere will, to a large extent, depend upon the effectiveness of the measures which we are able to devise for revitalising the country's economy.

There are also other outstanding problems, the significance of which on our political position and future cannot be overlooked. The developments in Kashmir and Hyderabad contain germs of internal political instability and a peaceful solution of the tangle of intrigues involved in the relationship of these two areas with the Dominion of India is a condition precedent to our taking in hand more seriously the work in the constructive sphere. The uncertainties connected with the existing international political situation also call for a greater measure of caution and preparedness as, notwithstanding our determination not to get ourselves embroiled in the international power-politics, in the existing context of affairs, we cannot escape the consequences, direct or indirect, and the difficulties caused by any major political conflict elsewhere. All these considerations point to the need for our giving our undivided attention at this moment to the task of consolidating our political conditions, ensuring greater internal security and making the country prepared to meet all emergencies.

My Committee are not merely raising fears of an imaginary character when they suggest that the controversies and bitterness let loose by proposals connected with re-grouping of provinces will be another fissiparous factor and might result in developments of an ugly character. The happenings in Bengal/Assam border contain their own warning. The controversy that is raging between Bengali and Behari leaders over the re-allocation of the villages situated on the border of the two provinces emphasise the fact that swayed by sentiment, people are apt to forget as to what is just and fair. The Province of Bombay, under its present administrative and territorial set-up, is comparatively free from serious internal troubles. The Province, again, is, from the economic standpoint, one of the most important provinces in the Indian Union as a whole, and much is expected of this Province in the achievement of the paramount task of securing an immediate improvement in

the overall productive and economic resources of the country. The people of the Province, who, by the bond of common ties, at the moment are concentrating on the furtherance of the main task, may, by the passions let loose by linguistic controversies, find themselves in differing camps, consequently leading to a dissipation of energies in the pursuit of dogmas, which, at any rate, are not of a vital or fundamental character in the existing state of affairs.

It will not be out of place to mention here that the setting up of new provinces at this juncture will also involve consideration of certain administrative issues. The country is experiencing dearth of trained administrative personnel. The demand for such trained personnel has of late increased because of our having undertaken new obligations. There is also some anxiety on account of expenditure on administration. The impact on our general economy of the forces released by continued deficit budgetting has been causing some anxiety and if more administrative units are set up, there would be avoidable duplication in administrative expenditure. Administrative convenience and the need to reduce administrative expenditure are further strong reasons against any step in the direction of setting up new provinces and administrative units at the present moment.

Having submitted that the present time is not at all opportune for a decision on this issue, my Committee would take this opportunity of raising the question as to whether any re-distribution or re-grouping of provinces is at all necessary or desirable in the altered circumstances, now confronting the country. The proposals for re-distribution of provinces had their origin in the political conflicts of the past, when the country was fighting against foreign domination. Demarcation of provincial boundaries under the old political order might have had its own defects ; but the problem in its entirety has to be reviewed and re-examined in the light of the developments of the recent past.

Firstly, we have to develop as a Nation. The re-distribution into provinces or areas is mainly an issue involving factors like administrative economy and convenience. Anything, which in the present context of affairs will militate against the country as a whole developing full national consciousness, has to be avoided. No provincial unit or administration, however compactly and scientifically formed, can hope to survive and become by itself a progressive unit, unless the central structure of our edifice, namely the Indian Union, is sufficiently entrenched and is made strong and secure by the loyalty and affiliation, and wherever necessary by the willingness to surrender their separate identities, of the provincial units. The country will be missing the lessons of history, if it does not guard itself against the inevitable consequences of administrative fragmentation. The greatest need of the moment is to strengthen the Union Government and to rally round the structure of that Government. On the one hand, we have been congratulating ourselves on the measure of integration achieved

by the assimilation of some of the Indian States into the administrative jurisdiction of contiguous provinces. This process of integration and the consequent unifying effect are no doubt steps in the right direction. On the other hand, we are called upon to consider proposals which will have the reverse effect of disrupting and disturbing the homogeneity already existing in areas which form a common administrative unit. My Committee venture to submit that the *raison d'etre* of re-grouping or re-distribution of provinces requires to be reviewed and re-examined from the point of view of the larger ground of national interests and expediency. At all events, they are of the strong view that no step would be justified, which is not conducive to the progress of the efforts for achieving greater political and economic integration of the Nation as a whole.

Re-grouping of provinces, wherever justified or necessary, should not be attempted merely on linguistic considerations. Such re-grouping should essentially be on rational and scientific considerations, guided by a variety of factors, political, economic, geographic, administrative convenience, etc. After the country has stabilised her present political position, after the new Constitution has had a chance of functioning for a period of years, after the efforts to bring about normalcy in all essential spheres of life have attained a fair measure of success and after our leaders are free from the immediate political preoccupations both internal and external, the question of re-grouping can, if at all necessary in the light of the then existing circumstances, be examined from all relevant standpoints and aspects above referred to. There is no need to give any special significance or priority for this matter at this stage and my Committee are strongly of the view that both on grounds of expediency and in the interest of securing a dispassionate examination of the problem purely from the scientific aspect, the Linguistic Provinces Commission will be well advised in recommending to those concerned that the matter at all events should not be proceeded with at this stage.

Having stated their approach to the fundamentals of the problem, my Committee would like to submit that if it is ultimately decided to proceed with the work of re-grouping of provinces, the present Bombay City with its suburbs should be set up into a separate province directly linked as a federating unit to the Indian Union. The case of Bombay for being constituted into a separate province is justified on all relevant considerations, namely, territorial, administrative, economic and strategic. Besides, Bombay is multi-lingual and has a cosmopolitan population drawn from the different parts of the country. Bombay is a financial and trade centre of all-India importance. It has the necessary resources, financial and otherwise, to sustain a stable and adequate administrative machinery. For all these considerations, if re-distribution is ultimately decided upon, the case of Bombay for being set up into a separate province is irresistible.

Historically, it cannot be seriously suggested that Bombay was part of or belonged to any of the linguistic territorial units in the hinterland. In fact, in the early stages before its development, the island of Bombay was inhabited mainly by fishermen. They had nothing in common with the inhabitants of the territories coming within the linguistic area of Maharashtra. The island, more or less even from the very start, had its separate existence. The subsequent development is the result of pioneering efforts made by a number of communities drawn from not only all parts of the country, but also from outside centres. The history of the early growth and progress of Bombay will perhaps be the story of the pioneering efforts of families and persons who came to the island area from centres far remote. Among the sections or communities which have made substantial contributions in developing Bombay, mention must be made of the Parsis, the Cutchis including Khojas and Memons and the many early settlers' hailing originally from some of the Indian States in Gujerat. These early settlers had no direct links, linguistic or otherwise, with the Maharashtra as such. Historically, therefore, there is no ground for the claim that the City of Bombay should be treated as part of Maharashtra.

The geographical position and formation of Bombay as an Island are quite suitable for its being treated as a separate administrative unit. As an island town, it is surrounded by the sea on three sides and the place of its connection with the main land offers all the requisite characteristics for forming a natural boundary or line of demarcation from the rest of the hinterland. The question as to the exact point where the new boundary should be located is a matter of detail and could conveniently be settled after due examination.

The population of Bombay is obviously cosmopolitan both in composition and in outlook. In fact, factors like caste, creed or religion do not exercise any influence on the social, economic, cultural and political activities of this City. More than one language is in common use in the day-to-day activities. The culture of the City is all its own and it cannot be said that it has any particular sectional predeliction. While my Committee cannot agree that language should be anything like a definite basis for demarcation of provincial or administrative boundaries, they would like to point out that even on the basis of language the claim that Bombay should be treated as part of Maharashtra cannot be sustained. According to the last census, 46 per cent of the population of the City and the suburbs were enumerated as those speaking Marathi. However, subsequent to the census, there has been a definite shift in the composition of the population. Due to the developments connected with the war and the consequent concentration of economic and industrial activities in this City, a large number of people drawn from other provincial areas have made Bombay their permanent home. The movement of population consequent upon the political Partition has also exercised its influ-

ence to a substantial extent on this migratory process and even from the point of view of percentage, it is now common ground that the proportion of the Marathi speaking population of this City has undergone substantial reduction. Leaving population and census figures alone, from the practical standpoint also it would be contrary to facts to maintain that Marathi is the common language of Bombay. As mentioned above, Bombay is multi-lingual. In the spheres relating to trade, commerce and industry, the principal language in vogue is Gujerati. Large sections of the population speak Hindustani. It is also significant to mention that under the Congress Constitution, for Bombay, over and above the common language of Hindustani, the two regional languages prescribed are Marathi and Gujerati. Even the Congress in its wisdom had at an early stage recognized that no one language could be deemed as the major regional language of this city. Thus, even on purely linguistic basis, it cannot be claimed that Bombay is part of Maharashtra.

The establishment of a separate University for Maharashtra in Poona lends weight to the thesis that both from the point of view of culture and language, Bombay could not be deemed to be part of Maharashtra. If Bombay was part of Maharashtra, then there was no point in pressing for a separate University Centre for Maharashtra in Poona. The very fact that the sponsors of the movement for a separate Maharashtra University thought it necessary that, notwithstanding Bombay being a University headquarter, a separate University was essential in Poona, goes to prove that in staunch Maharashtrian quarters Bombay was not deemed for all essential purposes as part of Maharashtra.

The Indian National Congress has its own territorial distribution for purposes of the Congress Constitution. Under that Constitution India is divided into a number of territorial Units and Bombay with its suburbs is treated as a separate province. Bombay elects its own separate quota of delegates to the Indian National Congress and representatives on the All-India Congress Committee. For the area covered by the territory represented by the present province of Bombay, there are under the Congress Constitution four separate provinces, viz. Gujerat Provincial Congress organization, the Maharashtra Provincial Congress organization, the Karnatak Provincial Congress organization and the Bombay Provincial Congress organization. If the first three are to be set up into three different provinces with separate administrative machinery, logically from the political standpoint also Bombay's claim for being treated as a separate administrative unit cannot be resisted.

From the economic, commercial and industrial standpoints, Bombay is a centre of all-India importance. Bombay is the main gateway for the overseas trade of India. It has the advantages of a very fine natural harbour. The share of the port of Bombay in the total overseas trade of the Indian Union is estimated at about

40 per cent. There have recently been indications of this share increasing and it is quite possible that in the years to come more trade will pass through Bombay. The export and import trade handled by Bombay is of all-India significance and from the point of view of trade Bombay is more or less a co-ordinating and connecting link as between the different provinces and the sources of supply or the sources of ultimate consumption, as the case may be.

From the point of view of industrial activities again, Bombay holds a position of all-India importance. According to the statistics published for the year 1945, out of a total number of 10,881 industrial establishments in the whole of the Indian Union, 1,325 such industrial establishments were located in Bombay city and suburbs, representing roughly 13 per cent of the all-India total. Out of a total of 409 spinning and weaving mills in the Indian Union, 65 such mills, being 16 per cent of the total, were located in Bombay city and suburbs. Similarly, out of the total installed capacity in looms and spindles the share of Bombay comes to 33 per cent and 28 per cent respectively. Analysing the categories of industrial establishments in the City, it is found that there are 166 factories producing textiles including silk, woollen and hosiery, 373 engineering undertakings, 106 establishments manufacturing articles of food, drink and tobacco, 106 establishments producing chemicals, etc., 202 establishments engaged in work relating to paper and printing, 108 in processing wood, stone and glass, 51 dealing with manufacturing processes relating to hides and skins, 60 seasonal factories and over 150 factories of a miscellaneous character undertaking diverse manufacturing activities.

Although separate figures of the share of Bombay in the Revenues contributed to the Government of India, particularly in the shape of Income-tax and Customs, are not readily available (unless officially furnished by the authorities in response to an inquiry from the Commission), it is quite obvious that Bombay's contribution is very substantial. It has been unofficially estimated that Bombay city must be contributing about 25 per cent of the total revenue from Income-tax to the Central Exchequer. The yield from Customs revenue should also be of a fairly high order. These are the two main sources of Revenue for the Centre and as the Union Government as such has certainly a responsibility and a vital interest in ensuring the preservation of the economic growth and prosperity of Bombay. Obviously, if Bombay is relegated to a place of secondary importance, it cannot make its views and voice heard as effectively as through a separate administration of its own. Bombay has organized markets and exchanges more or less functioning on an all-India basis. It has commodity exchanges for some of the principal staple products of the land, like cotton, oilseeds and various other items of importance. The Stock Exchange and the Bullion Exchange in Bombay practically regulate trading in Stocks and Shares and Bullion for the country as a

whole. Bombay can legitimately claim to be the country's main financial centre. The Reserve Bank of India, which is our central banking and currency authority, has its headquarters in Bombay. Out of 85 scheduled banks, 28 have their head offices in Bombay. These features are mentioned to emphasize the all-India importance of this centre, which goes to reinforce its claim for a direct link with the Union Government in the future scheme of things.

For a country with a large coastline, naval strategy is of prime consideration. Being the biggest port on the West Coast and with the advantages of a natural harbour, on occasions of emergency a good deal of political and strategic activities are likely to be concentrated in Bombay. The advantages of having a homogeneous and exclusive administrative machinery for the city during such times of emergency cannot be over-emphasized. Moreover, from the transportation point of view also, Bombay is very important. It is a sort of a clearing house for distribution of traffic, both internal and external. There are 17 Air-Line services connecting Bombay with various parts of India. There are also direct services from the city to overseas centres. The operation of shipping services, both coast-wise and overseas, are mainly regulated from the port of Bombay. Two of the largest Railway systems have their head offices in Bombay. Its position from the transportation point of view would be strengthened by the creation of the present city into a separate province with an exclusive administrative machinery.

Having stated the grounds which overwhelmingly justify the claims of Bombay for being constituted into a separate province, my Committee would like to point out that the proposal is also quite feasible from the point of view of the ability of the present area and population comprised in the city and the suburbs to sustain and run an efficient administrative machinery. The inherent financial strength of the area is so well known that my Committee do not think it necessary to place before the Commission figures which would justify the City's ability to bear the necessary expenditure for running a separate provincial administration. The issue of finance apart, the population of the area is sufficiently politically conscious and there can be no doubt of their being able to run a representative governmental organization and machinery. In fact, all circumstances are in favour of the proposal for setting up Bombay with its suburbs into a separate provincial administrative unit.

My Committee have not attempted to answer the different questions contained in the Questionnaire. They have, on the other hand, concentrated on the essentials of the problem. The information on the various detailed heads in the Questionnaire could very well be expected to be supplied by the appropriate authorities, administrative or public.

In conclusion, they would like to reiterate and emphasize their main viewpoints, viz., firstly, there should not be any talk of further divisions in the country by provinces or otherwise ; secondly, that at any rate consideration of the question of re-grouping of provinces should be postponed until the country is more fully and normally settled ; and thirdly, if, unfortunately, the splitting-up of the present province of Bombay into separate provincial units is for any reason deemed unavoidable, then the process should be pursued to its logical conclusion and the city of Bombay with its suburbs should be made a separate province linked directly to the Indian Union as a federating unit. My Committee trust that the Commission will be good enough to give their careful consideration to the above suggestions.

I am to add that representatives of the Chamber will be glad to tender evidence before the Commission in due course when called upon to supplement the points of view presented in this memorandum.

APPENDIX 57

Report of the Economic Programme Committee of the A.I.C.C.

Telegram dated 13th February 1948, from 'Chamber to the Hon'ble Pandit Jawaharlal Nehru.

The Committee of the Indian Merchants' Chamber consider it their duty to draw the attention of Government and the leaders to the extreme feeling of uncertainty, nervousness and apprehension caused by the recommendations made by the Economic Programme Committee. Although at the present stage the Report is in the nature of an outline programme for consideration by the A.I.C.C. and although decisions on matters of policy implicit in the recommendations have yet to be made by the A.I.C.C. and Government, the Committee cannot help pointing out that the fact that Pandit Jawaharlal Nehru, Prime Minister, is the Chairman of the Economic Programme Committee justifiably raises a feeling of apprehension that the recommendations are an indication of the trend of future official policy.

There can be no two opinions on the central aim emphasised by the Economic Programme Committee of securing a quick and progressive rise in the standard of living of the people by expanding the volume of production and full employment of man-power and material resources. It is, however, very doubtful if the recommendations made in the Report will result in the realisation of this fundamental objective. The greatest need of the moment is an all-in effort for intensifying and increasing production. In fact, the recent Industries Conference at Delhi formulated a programme of action for inducing a greater feeling of confidence and for securing sustained and continuous results in the sphere of production.

The machinery proposed to be set up for giving concrete shape and effect to the programme agreed to at that Conference is still being awaited. Labour was exhorted to put their shoulders to the wheel and refrain from strikes and slow-down tactics interfering with production. In the meanwhile, the good work which was achieved by that Conference is being undone by the reactions caused by the publication of the Report under reference. This is very much to be regretted.

The recommendations show definite predilictions, based on doctrinnaire ideas, on the future pattern of the organisation of the economic life of the country, due regard not having been given to the practical realities of the situation. In the industrial sphere firstly efforts have to be concentrated on stepping up production and output to the maximum of installed capacity. This cannot be done by suggesting steps which would tend to frighten the existing owners of the means of production by placing before them a plan which presages their ultimate elimination. Secondly, industries have to be expanded and new ones built up to fill up the gaps in our industrial structure. The magnitude of this problem is really very great and the estimates of the capital requirements and the efforts necessary for attaining the full pace are so vast as to automatically rule out chances of success by eliminating the present agency of production which has already proved its utility and its preparedness to undertake the job. Nationalisation, wherever in vogue, is still in an experimental stage. It is too early to be dogmatic about its chances of success as a permanent and universally applicable policy. In the limited spheres, where the experiment has been tried and is in operation in this country, the results are generally disappointing. The Committee earnestly submit that in the present under-developed stage, the issue of the ownership of the instruments of production is of less significance and attention should be concentrated on the best means of pooling all resources, human and material, for creating conditions which would increase economic activity and consequently National wealth.

The sector of industry which is already under private ownership should continue undisturbed and no injustice should be done to the large body of investors, in many cases of small means with their life's savings at stake, and there should be no question of existing undertakings being transferred from private to public ownership. In the sector of new undertakings Government may, as an experimental measure, confine the development of defence and public utility undertakings to state-ownership, but all undertakings and enterprises intended to produce goods and maintain service like Banking, Shipping, Insurance, etc., essential for sustaining the civil life of the country should be allowed to be developed on the basis of free enterprise and under a system of competitive economy.

Individual Ministers of the Central Cabinet have recently in informal discussions and in pronouncements on public occasions, been at pains to convey a measure of re-assurance to the investing public that in the existing set-up, free enterprise had an important and useful role to play. The salutary effect of those assurances has been undermined by the publication of the Report of the Economic Programme Committee. With this Democle's sword of uncertainty hanging over their head, it is too much to expect from them any revival of enthusiasm for fresh or increased efforts. It is, therefore, very essential that the Government of India should issue immediately a statement, having the authority of the Cabinet as a whole, outlining their industrial policy and in particular clarifying the place and position of free enterprise in the new scheme of things. Unless Government make a special effort to convey a re-assurance there is the danger of the country's economy being seriously disrupted.

The Committee further submit that before Government formulate and lay down their future economic and industrial policy, they should convene a Conference of all the interests concerned for a full and frank discussion of the entire problem in all its implications, so that an integrated programme and policy appropriate to the needs and requirements of the country in its present stage of under-development may be evolved and agreed upon.

APPENDIX 58

Industrial Policy of Government of India

The Committee of the Indian Merchants' Chamber issued the following statement on the Industrial Policy of the Government of India on 20th April 1948.

The Committee of the Indian Merchants' Chamber have given their careful consideration to the Resolution on the Industrial Policy of the Government of India presented to the Dominion Parliament on 6th April 1948. The central aim is the establishment of a social order in the country, where justice and equality of opportunity shall be secured to all the people and towards that end, Government propose careful planning and integrated effort over the whole field of National activity. The emphasis laid on the primary need for expansion of production, both agricultural and industrial, and in particular on the production of capital equipment, of goods necessary for meeting the basic needs of the people and of commodities, the export of which will increase the earnings of foreign exchange of the country, is indeed welcome. Government further show a refreshing sense of realism in recognising the limitations of the mechanism and resources of the State for undertaking the above tasks and in acknowledging that private enterprise has a valuable role to play in the process of exploiting the

latent resources of the country for securing an improvement in the economic conditions and for promoting a rapid rise in the standard of living of the people. The Chamber, as an organisation representing commercial and industrial interests in the country, wish to assure Government of their whole-hearted co-operation in their efforts to achieve the above objective. As the Statement sets out the official policy of the Cabinet as a whole, the Committee of the Chamber hope that individual spokesmen of Government will in future refrain from making statements which may not be strictly in consonance with the policy as enunciated in the official Resolution.

The attempt to demarcate and define the respective spheres of activity of the State and private enterprise in the furtherance of the above central aim and purpose will no doubt carry a measure of reassurance to the commercial and industrial interests and to some extent assist in dispelling the apprehensions caused by certain recent developments. The Committee, however, are unable to agree to or acquiesce in the views of Government implicit in the scope and purposes of the policy that in deciding to permit private enterprise to continue to function in the fields in which they already function, Government are guided by the consideration that the limitations inherent in the existing state of affairs would not permit the State to function forthwith in industry as widely as may be desirable. This approach to the ultimate role and place of private enterprise in the economic activities of the country is bound to cause some feeling of disappointment. While the right of a Sovereign State to undertake any activity or run any enterprise at any time in the larger interests of the Nation is not disputed, Committee cannot help feeling that it would have been more in keeping with the requirements of the situation if Government had categorically and boldly decided to confine their attention to a specified sphere, leaving the rest of the activities to be undertaken and run by those who show the necessary initiative and are willing to undertake the normal hazards and risks incidental in the promotion and development of new enterprises and the expansion of existing ones.

Committee have nothing to say against the proposal to develop certain industries and activities of strategic and national importance like manufacture of arms, running of the railways, etc. exclusively under State ownership and management. In the second group of industries as set out in the Statement, existing undertakings will not be disturbed for a period of ten years but new undertakings in this sphere will be the exclusive responsibility of the State. From the practical point of view the operation of industries, both private-owned and State-owned, in the same sector will lead to the emergence of conditions which may militate against the main purpose of achieving the progress and expansion of the industries in question as a whole. Government should, at all events, give an assurance that in the same sector where private-owned and State-owned industries are functioning and are in operation side by side,

both will be expected to work under the same terms and conditions and that every effort will be made to ensure that no preference, administrative or otherwise, is extended to one group to the prejudice or disadvantage of the other. Again, the period of immunity of ten years for existing enterprises is too short to make any real development or expansion possible. In order to assist the existing units to look ahead and plan schemes for expansion, Government should categorically announce that as a matter of general policy, they have no intention of acquiring existing industries in this group and that the time-limit mentioned in the Resolution of Policy was meant only as a safeguard to be acted on in exceptional cases.

The assurance that as and when Government find it necessary to take over existing private-owned industries, fair and equitable compensation would be paid, is heartening. The Committee trust that in determining the basis of compensation, due account will be taken of the market value of the assets, the reserves and the goodwill built up by the concern, its potential earning capacity and other accepted similar factors influencing the valuation of fixed assets and property.

The decision of Government to leave the rest of the industrial field open to private enterprise is welcome and will be received with feelings of relief. This is, however, subject to the reservation that the State will also progressively participate in this field and further that the State will not hesitate to intervene whenever the progress of an industry under private enterprise is, in its opinion, unsatisfactory. When Government, as a matter of policy, are laying down demarcated spheres for development, the insistence of an over-riding reservation that even in the sphere left open for private enterprise, the State will also attempt to progressively participate or to intervene is not calculated to engender that degree of enthusiasm and interest, which alone would ensure quick and speedy results. Committee earnestly submit that this field at least should be left exclusively to private enterprise.

Committee welcome the proposal to establish a National Planning Commission to formulate the country's programme of development and to secure the execution of that programme. The Committee express the hope that in selecting the personnel of the Commission, Government will no doubt give adequate importance to the need for including non-official men drawn from the sphere of trade, commerce and industry with the necessary background of practical experience. The Committee are, however, at the same time not very enthusiastic about the proposal to set up Boards and Committees, as in their opinion the multiplicity of such Bodies might lead to energies being frittered away in details without much progress being made on essentials.

As Government rightly emphasise, maintenance of stable and friendly relations between capital and labour is essential for securing

an increase in overall production. Committee hope that the efforts of Government to extend reliefs and secure additional amenities and rights to labour will evoke the necessary measure of response and that the Industrial Truce would be scrupulously observed and acted on by interests representing labour.

The assurance that the system of taxation will be reviewed and re-adjusted where necessary to encourage saving and productive investment will evoke feelings of satisfaction. The start made by the changes in direct taxation effected in this year's Central Budget has to some extent helped to revive confidence in investors. Committee hope that the process will be continued and that a tax structure appropriate to the needs of an expanding economy will be evolved without much delay.

Committee wish to reiterate that Government would be assisting to create greater enthusiasm for their plan and policy by a categorical assurance that in the sector normally to be left open to private enterprise, Government have no intention of interesting themselves, progressively or otherwise, and that the immunity in respect of the existing industries under the second group will not automatically end after a fixed period of years. Committee will conclude by giving an assurance that the industrialists as a whole are earnest in their desire to secure the rapid and full development of the economic resources of the land and given the necessary opportunity and encouragement they can be expected to play their role in the process faithfully and whole-heartedly.

APPENDIX 59

Rights of Indian Nationals to carry on Trade and Commerce and Industry in various Countries on Basis of Reciprocity

Letter No. 719, dated 10th March 1948, from Chamber to the Ministry of External Affairs and Commonwealth Relations.

My Committee are, at present, considering the question of rights and privileges of Indian Nationals to carry on industrial and commercial activities in foreign countries on a reciprocal basis. Government are fully aware of the privileges the foreign commercial enterprises enjoy in this country. They are also aware that such privileges, facilities, etc. enjoyed by foreign business were not on any basis of reciprocity. While such foreigners were fortunate enough to be in a better position to ply their trades in this country under British patronage, the nationals of this country in the respective countries of such foreign business houses had no such privileges or rights in exchange of what the nationals of foreign countries could manage to appropriate in this country. This position has, however, changed with the assumption of Independence by the country. India is now a Sovereign State and as such the Government of the country should control and regulate such com-

mercial and trading privileges on a reciprocal basis whereby only such privileges and rights to carry on and establish business and industrial enterprises in this country should be given to the foreign nationals as are correspondingly given to Indian Nationals in the respective countries.

As an instance in point my Committee would like to invite the attention of Government to the trading and industrial facilities enjoyed by the nationals of the United States of America in India without any reciprocity being given to the Indian Nationals to carry on commercial operations in the United States. My Committee are given to understand that the commercial relations between India and United States of America are governed by the outdated document called the Convention of Commerce signed as long as the year 1815 between the United Kingdom and the United States. They further understand that Article 3 of that document is applicable to India whereunder American citizens enjoyed business rights and protection in India without any restrictions on their movement and the length of time they may stay in India. The Article, however, has made no provision for corresponding rights to Indian Nationals in the United States. Indian businessmen are allowed to enter the U.S.A. territory on a temporary basis as tourists and visitors which they could do only by the permission of the American authorities, which is given upto 3 to 6 months' stay. After the expiration of this time-limit whether of 3 months or 6 months, such Indian tourists visiting America for business purposes have to apply for extension of stay, which the immigration authorities may or may not grant.

What my Committee has stated above is common knowledge. They would, under the circumstances, urge Government to take up the question of controlling and regulating the rights and privileges enjoyed by the American nationals on a reciprocal basis to enable Indian nationals to enjoy similar privileges, rights and facilities in America. They, however, urge having regard to the importance of the question of establishing business relations between the two countries on a reciprocal basis to take up the matter at an early date with the Government of the United States of America.

My Committee are also concerned regarding such reciprocal business privileges which may or may not be existing in countries other than America in respect of Indian nationals. They have, however, not the requisite material to base their case for representation to Government in respect of countries other than America to clarify the point further. They are not in possession of the actual position existing in regard to such reciprocal privileges in respect of countries such as France, Belgium, Italy, countries in the Middle East like Egypt, Iraq, Czechoslovakia, Germany, Turkey, Russia, etc. They, therefore, suggest as a preliminary to Government taking up the question of reciprocity with above such countries, that they should issue instructions to the various

Indian Embassies and Indian Government Trade Commissioners in various foreign countries to furnish particulars in regard to the privileges, facilities and rights enjoyed by the Indian business in their respective countries. Government could, with advantage, along with their instructions issue a sort of questionnaire indicating the broad and important points on which information would be required. Information may profitably be obtained on the following points :—

(1) Whether there are any restrictions on the Indian houses established in foreign countries on engaging the Indian personnel on their staff.

(2) Restrictions re : employment of foreigners and Indians particularly by the indigenous employers.

(3) Control on the composition of the Board of Directors of foreign and particularly Indian Commercial concerns as also on foreign investments of shares in such foreign countries.

(4) Immigration Acts and Rules for foreigners and particularly Indians regulating entry into such foreign countries.

(5) Discrimination in respect of issue of import licences to Indian commercial concerns in such countries.

(6) Whether Trade Unions in such countries have a hand in preventing foreign labour and particularly Indian labour to secure employment, clerical, technical, skilled or unskilled.

The above is a brief outline of the type of information that may be secured by Government to facilitate consideration of the subject under reference. In conclusion my Committee urge Government that they should take up the question of business relations between U.S.A. and India at an early date as the relations existing at present are commonly known and require adjustment as soon as possible, in the interests of industrial and commercial development of India. My Committee would be further obliged if the Government will secure exact information required as above in regard to countries other than U.S.A., to enable them to take up the question of adjustment of commercial relations on reciprocal basis with them on receipt of the necessary information. My Committee hope that Government will give due consideration to the above suggestions and take necessary steps as suggested above.

APPENDIX 60

Arbitration of International Trade Disputes

Letter No. 3128, dated 11th October 1948, from Chamber to the Federation of Indian Chambers of Commerce and Industry.

I am directed to acknowledge receipt of your circular letter No. F-2760/769 dated 17th instant re : the above and to submit the observations of my Committee thereon.

Since the middle of the last year, my Committee were confronted with complaints from the member-firms of the Chamber regarding difficulties experienced in the matter of evasion of and non-conformation to terms and conditions in the contracts entered into by the Indian importers and foreign suppliers, particularly exporters from U.S.A. They had forwarded a number of such complaints to the Indian Government Trade Commissioner in New York through the Government of India for disposal and settlement of claims arising out of such contractual evasion and non-conformation. It was suggested in most of the cases that in the absence of any arbitration machinery for dealing with such disputes, recourse should be taken through legal proceedings for obtaining redress. Obviously enough, it will be admitted that it was difficult for the importer in India to resort to legal proceedings for recovering their claims. In this connection, the President of the Chamber in the year 1947 had occasion to draw the attention of Mr. A. R. Palit, Director, Indian Supply Mission, Washington, U.S.A. in a personal interview to the above difficulty. Mr. Palit was supplied with the complaints of many of the Indian firms against the malpractices of the American suppliers. These complaints were subsequently passed on to the Better Business Bureau in the U.S.A. for investigation. It would appear however that no redress except by legal action could be had in such cases.

Under the above circumstances my Committee are strongly of the opinion that some arbitrating machinery is urgently required to be set up for protecting and safeguarding the interests of Indian importers. They, therefore, welcome the decision of the Government of India to depute their Consul-General in New York to participate in the forthcoming World Arbitration Conference, where the above difficulties of the Indian importers should be stressed and general acceptance of the principle of arbitration by any recognised authority in the country of the buyer should be secured. As the Federation is aware, they have at the instance of this Chamber already agreed in principle to act as an arbitrating body, provided an arbitration clause to the effect that disputes arising out of contracts between Indian importers and foreign suppliers would be referred for arbitration to the Federation, was incorporated in future contracts. It will be realised, however, that the foreign suppliers should accept such an arrangement and that they should

submit to such arbitration by the Federation in case of disputes arising between Indian importers and themselves. They would, therefore, emphasise that the Consul-General in New York should strongly press at the World Arbitration Conference for the acceptance of such a clause by the foreign suppliers and that the decisions of the Federation of Indian Chambers of Commerce and Industry in regard to the disputes submitted to them should be binding on such foreign suppliers.

APPENDIX 61

Evasion of Contractual Obligations by Foreign Suppliers

Letter No. 599, dated 28th February 1948, from Chamber to the Ministry of External Affairs, Government of India.

The Committee of my Chamber have been receiving a number of complaints lately, particularly from importing interests at this end, about difficulties experienced as a result of evasion of contractual obligations by some of the foreign shippers and suppliers. These complaints relate to subsequent increases in prices ; supply of goods not according to specification or quality contracted for ; delayed delivery and unwillingness to negotiate basis of settlement in respect of disputed matters. Some of these complaints in regard to their factual aspects were gone into in detail by the Committee and particulars of many such cases have been submitted to the Commerce Ministry with a request that the respective Indian Trade Commissioners should be requested to intercede in the matter so as to bring about a settlement, if necessary by invoking the good offices of the appropriate Department of the Government of the foreign country concerned.

During the course of the examination of these complaints, the Committee of my Chamber noticed certain features, which, in their opinion, were mainly responsible for the above unsatisfactory state of affairs. The prevailing conditions of a seller's market in many cases made contracts one-sided. The buyers at this end are constrained to agree to business on cash basis and they are obliged to open confirmed letters of credit in advance of shipment. Subsequently when the buyer finds that the supply is not according to the contract, he has no effective method of securing redress or compensation as the tortuous course of legal redress in a foreign country is of doubtful practical value. Moreover, the terms and conditions governing sale in many cases include certain types of blanket clauses enabling subsequent price increases for various reasons and securing all kinds of immunity in respect of delay in shipments. While such safety clauses are ostensibly intended to provide for unforeseen emergencies, it would appear from the generality of the complaints that these reserve clauses are being vexatiously used by the suppliers to the detriment of the importers here.

The Committee of my Chamber are anxious that in future Indian merchants should be saved from the recurrence of the above unfortunate experience. To that end, contracts should include adequate provisions and safeguards for securing speedy redress on occasions of complaints and disputes. These two aspects should receive the earliest attention of Government. It occurs to my Committee that if the Indian High Commissioners and/or Trade Commissioners in the different countries, with which India has normal trade contacts, are requested to take up this matter with the appropriate Departments of the respective Governments in charge of foreign trade, some common basis for terms and conditions governing import-export contracts can without difficulty be evolved. Such High Commissioners and Trade Commissioners should also secure the consent of the appropriate foreign authorities for developing some sort of machinery for arbitration so that disputed points could immediately be dealt with on that basis. It may incidentally be mentioned that the above suggestions were placed by my Committee before Mr. V. K. Krishna Menon, Indian High Commissioner in the United Kingdom, when he was recently in Bombay. He was good enough to agree to go into the question after return to his Headquarters.

It is hoped that the Government of India will be good enough to give this matter their early attention and direct their High Commissioners and/or Trade Commissioners in the different countries to take up the matter with the appropriate foreign Governments. My Committee may be advised of the action which Government of India propose to take in regard to this matter.

APPENDIX 62

Transfer of Property (India) Ordinance

Telegram dated 16th February 1948, from Chamber to the Minister for Finance, Government of India.

Committee, Indian Merchants' Chamber, wish to draw attention of Government to the serious consequences apprehended as a result of the provisions of the Transfer of Property (India) Ordinance recently promulgated. Under the provisions thereof registration of documents in respect of properties other than agricultural land is precluded unless simultaneously a certificate is presented to the Registering Authorities to the effect that the transferor has paid or made satisfactory provisions for the payment of all existing or anticipated liabilities by way of taxes under the Indian Income-tax and other allied Acts. A further provision in the Ordinance extends the scope of the restrictions to all transfers which have taken place after the 14th August 1947, it being provided that on the failure to produce a certificate about payment of income and allied taxes, the taxing authorities shall be entitled to recover the taxes by appropriate action against the properties transferred, as if the same still continue to belong to the transferor. While the

Committee of the Chamber realise the anxiety of Government to eliminate chances of evasion of taxation by disposal of assets following the developments in the political sphere after the 14th August and while they note that the provisions in the Ordinance are almost analogous to a similar measure passed by the Government of Pakistan, they cannot help pointing out that the restrictions in their present form are likely to lead to considerable practical difficulties involving repercussions of a far-reaching character. Firstly, registration of documents has to be completed within four months. The proverbial delays in the Income-tax Department in the matter of completing assessments may render in inevitable in many cases that the tax certificate would not be forthcoming within the above period. Consequently, the completion of the process of transfer would be held up and both the transferor and the transferee would be put to serious difficulties, the former not being able to make use of his property for realising the necessary credit or finance which he may urgently be in need and the latter being deprived of the right to the possession of the property which he had contracted to buy. The provision in the Ordinance regarding production of certificate for transactions effected after 14th August seeks to give retrospective effect to the Ordinance. *Bona fide* transfers already made will be affected and the absoluteness of the rights of the transferee in respect of the property already in his hands will be qualified by the limitation in regard to the tax liability attaching to the transferor. This will seriously upset the working of the credit and financial mechanism in the country. Banks and other credit institutions might have advanced moneys to their constituents after the 14th August and before 7th February, viz. the date of the coming into force of the Ordinance and if properties so transferred in favour of such credit institutions are affected by the application of the retrospective provisions referred to above, they will suffer serious financial complications. Committee submit that in view of the above practical difficulties, Government should agree to the suspension of the Ordinance and such provisions as they deem necessary for ensuring proper payment of taxes in respect of parties transferring property by way of lease or mortgage should be settled after prior discussion at a meeting with the interests likely to be affected, and there is no justification whatsoever for the provisions in the Ordinance giving retrospective effect as transfers validly effected according to law in force at the time of the transaction should not be liable to be called into question by the application of the provisions of this emergency measure. Committee request that Government will be pleased to give this matter their early attention.

Letter No. 4(23)-IT/47, dated 28th February 1948, from the Ministry of Finance (Revenue Division), Government of India, to Chamber.

Reference to your telegram dated 16th February 1948, on the above subject addressed to the Hon'ble the Finance Minister.

The Government of India have already issued suitable instructions to prevent delay in issuing the certificates in this regard by the Inspecting Assistant Commissioners. The measure was necessary in order to prevent evasion of taxes by persons leaving India.

As regards retrospective effect of the Ordinance, any case of hardship where the recovery of taxes is effected from the property validly transferred and registered before the 7th February 1948, should be brought to the notice of the Commissioner of Income-tax concerned.

Letter No. 1322, dated 23rd April 1948, from Chamber to the Ministry of Finance, Government of India.

I am directed to refer to the correspondence on the above subject ending with Government's letter No. 4(23)-IT/47 dated the 28th February 1948. In their earlier telegram addressed to the Honourable the Finance Minister, the Committee of the Chamber had drawn the attention of Government to the consequences apprehended as a result of the provisions of the Transfer of Property (India) Ordinance. Government, in their reply dated the 28th February gave an assurance that suitable instructions had been issued to prevent delay in the grant of certificates by the Income-tax Officers and had further explained that the measure was necessary in order to prevent evasion of taxes by persons leaving India.

Subsequently, my Committee have been furnished with copies of correspondence that has passed between the Native Share & Stock Brokers' Association, Bombay, and Government ending with the letter dated 9th April 1948 from the President of the Association to the Secretary to the Board. My Committee have reviewed the position in the light of the difficulties pointed out by the Association. They have also had the benefit of discussions in the matter with representatives of banking interests. The concensus of opinion is that the enforcement of the provisions of the Ordinance will lead to considerable practical difficulties. In the case, particularly of stocks and shares, the requirements of the Ordinance would result in hampering the normal business and banking activities.

Government in their reply dated 18th March addressed to the Stock Exchange observed that any case of hardship where the Income-tax Officer attempted to recover taxes due from a Muslim transferor who had left for Pakistan from the transferee might be brought to the notice of the Commissioner of Income-tax, to whom necessary instructions had been issued. Although Government may be anxious to ensure that *bona fide* purchasers are not put to difficulties as a result of the provisions of the Ordinance, from the very nature of the transactions involving transfers in stocks and shares, it is almost inevitable that the Ordinance will seriously interfere with the normal trading activities. Ready negotiability of stocks and shares is an essential requisite for the normal functioning of money market and having regard to the serious practical

difficulties already brought to the notice of Government by the Stock Exchange, my Committee request that Government will be pleased to review the entire position.

In this connection, they venture to submit that cases of persons leaving India and evading taxes are likely to be very few, if any at all, and chances of loss to Government revenue on that account are remote. On the other hand, the difficulties caused by the enforcement of the provisions of the Ordinance are real and have already led to considerable disorganisation in normal activities involving transfer of property. My Committee, therefore, earnestly submit that Government will be pleased to reconsider the matter and withdraw the Ordinance and thereby end the present state of uncertainty.

APPENDIX 63

List of Insurance Companies approved for Purposes of Insurance by Co-operative Banks, Urban Societies, etc.

Letter No. 1546, dated 17th May 1948, from Chamber to the Revenue Department, Government of Bombay.

The attention of the Committee of my Chamber has been drawn to a circular No. B.S.25/A dated 4th November 1947 issued by the Registrar of Co-operative Societies. The circular in question has also been reproduced in the January 1948 issue of the Bombay Co-operative Quarterly, the official organ of the Provincial Co-operative Institute, Bombay. Along with the circular a list of Insurance Companies approved by the Co-operative Department for purposes of insurance of goods and property belonging to co-operative banks, co-operative societies, and members of such societies has also been published. The issue of such an approved list presupposes and means that Government consider the Companies included in the list suitable and eligible for giving insurance cover in respect of any goods or property coming within the purview of co-operative activities.

The main purpose of this communication is to invite the attention of Government to the fact that included in the said list are a number of foreign Insurance Companies. In fact on a closer scrutiny, it is observed that more than half of the total number of Companies included in the list are of non-Indian origin. In the altered context of affairs obtaining in the country today, when elected representatives of the people are in charge of the affairs of the Province, it is somewhat incongruous to find that non-Indian Insurance Companies should have found a place in the list of approved Insurance Companies recommended by Government. The stamp of approval obviously implies that firstly the Insurance coming within the purview of co-operative activities should be confined to Companies in the list and secondly that the society

or the owner of the goods or property concerned would be at liberty to choose any one of the Companies mentioned in the list. In the exercise of that choice, it would be open to any one to select a non-Indian Company, provided it is one of the Companies included in the list.

Official patronage and encouragement should necessarily be confined to enterprises and undertakings, the ownership and management of which are in the hands of the nationals of the country. This is a general proposition and my Committee have no doubt that there can be no two opinions about the same. Government have also, as a matter of general policy, expressed their anxiety to give every encouragement and assistance to indigenous enterprise. Again, when Government, as owners of goods or property, have to effect insurance, they are generally confining their business to Indian Insurance Companies. It is, therefore, logical to suggest that for purposes of recognition for inclusion in the approved list also, Government should be guided by the same policy and such recognition should be confined to Insurance Companies owned and managed by the sons of the soil.

My Committee are sure that the publication of the list in question in the above form has come as a matter of official routine and perhaps all the names included in the previous list have been repeated as a matter of course without any special scrutiny. They are further confident that now that the attention of Government has been drawn to the above objectionable feature, no time would be lost in rectifying the position and in issuing the necessary instructions so that in future only Companies owned and managed by the nationals of the country will be entitled to be deemed as eligible for purposes of being placed on such approved lists. Although the present communication has been occasioned by a circular having reference to the Co-operative Department, the issue raised therein is one of general application and the instructions which Government will be issuing as a result of this correspondence should cover all Departments ; and in all cases where such approved lists are being maintained, care should be taken to ensure that such lists include only Companies and enterprises owned and managed by the nationals of the country.

An early reply is requested.

Letter No. 9153/45-J, dated 27th July 1948, from the Revenue Department, Government of Bombay, to Chamber.

With reference to your letter No. 1546, dated 17th May 1948, I am directed to state that instructions are being issued to the Registrar of Co-operative Societies and Director of Agricultural Marketing and Rural Finance, Poona, to see that only Indian Insurance Companies are given the patronage of co-operative institutions and insurance companies of non-Indian origin are excluded from the list prepared by him.

It is the general policy of Government that whenever the property or property under the control of Government and its officers is to be insured, it should be insured with the Indian Insurance Companies, that is to say, Companies which have at least 75% Indian directorate and 75% Indian Capital.

APPENDIX 64

Efforts for the Rehabilitation and Housing of Refugees in the Province of Bombay

Letter No. 778, dated 15th March 1948, from Chamber to the Political and Services Department, Government of Bombay.

The developments in the country following the Partition Plan, among other things, led to the displacement of a large number of persons from their normal homes and habitations. From the Punjab there was a regular exodus of the entire population from certain areas, particularly of the Hindu and the Sikh communities. There was also large-scale movement of people from other centres. Nearer to this Province, Sind was not free from the vicissitudes of these developments and persons, numbering in thousands, normally resident and having their business profession or vocation in the province of Sind, found themselves obliged to move out. Bombay Province, being a contiguous territory, a larger proportion of these displaced persons from Sind found their way to this City and to other centres within the Presidency. The problem presented by these developments took the country almost by surprise. One can easily imagine the difficulties inherent in a situation of a large number of peace-loving citizens being uprooted from their normal surroundings and forced to drift aimlessly in search of shelter and of means of livelihood. Fortunately, after the initial confusion, the authorities both in the Centre and in the Provinces exerted their utmost to make the process of assimilation as swift and as orderly as possible and to ensure that the travails and sufferings of these unfortunate fellow-citizens were reduced to the minimum.

The Government of India have set up a separate Ministry for attending to the needs of the refugees and for planning and promoting measures for their welfare. A Corporation with substantial resources has also been set up to attend to the rehabilitation from the economic and financial standpoint. Pending satisfactory arrangements for the housing and accommodation of these refugees, the Central Government have organised and built camps and reception centres in a number of places and every effort is being made to make the change-over as smooth and as orderly as possible.

Nearer home, in Bombay also, a large number of refugees, particularly form the Sind, have taken temporary shelter. Unfor-

tunately, due to a variety of reasons, there has been a tendency among these refuges to congregate in cities and try to find home and shelter for themselves there. In Bombay particularly, according to reports, there are a large number of such refugees and efforts to induce them to move out to other centres in the Province less thickly populated have not evoked the necessary measure of response. While the Committee of the Chamber agree that every effort should be made to assist the process of settlement and rehabilitation of these persons who have found their way to our Province, at the same time, they consider it their duty to draw the attention of Government to certain inescapable facts which will have to be taken into account in arranging for the permanent absorption of this large floating population into the economic and social life of the Presidency. The population of the City of Bombay has increased during the last decade beyond proportion. It is almost double what it was before the war. This has inevitably led to a considerable strain on the housing resources of the City. People find themselves huddled together. There are a large number who are still without anything like accommodation of a permanent or satisfactory character. The position has been accentuated by the refugee problem. It is almost impossible to envisage an expansion of the housing accommodation in the City to an extent necessary, firstly to absorb the increase in normal population already referred to and secondly to provide additional facilities for the growing number of refugees. Moreover, the health and sanitation of the City will also suffer seriously if something is not done immediately to plan the dispersal of the large number of refugees in the City to more convenient centres within the Presidency or elsewhere. After all, overcrowding leads to consequences of a very unhealthy nature. It should be the anxiety of the authorities to obviate chances of epidemics breaking out in the City as a consequence of the prolongation of the present unsatisfactory state of affairs.

The Bombay Municipal Corporation has before it an ambitious scheme for building up a Greater Bombay. My Committee understand that the preliminaries have all been settled and plans and proposals for the laying out of an extended City have been finalised and await the approval and sanction of Government. They request that Government will be good enough to give this matter their early attention and after consultation with public interests pass such legislations and take such measures as may result in the Scheme fructifying at an early date. This, however, is a long-range aspect and even with all the expedition, the Scheme of building up a Greater Bombay can bear fruition only after a given period of time.

In the meanwhile some emergency efforts are necessary to secure the distribution of the large number of the floating population above referred to into other centres in an organised manner. Government of Bombay should select suitable places in outlying

parts, where the pressure of local population is not a problem, for the habitation and housing of a substantial proportion of the refugees at present gathered in and round about the City. After selecting suitable centres, the necessary amenities should be provided to offer the requisite attraction to the refugees to move out and stay in those centres. Beyond Palghar, my Committee understand, there is a large area of vacant land. It has been suggested to them that the feasibility of developing a centre for relief—evacuee housing—in that area may well be examined. The choice of the centres or the location for providing facilities for the rehabilitation of refugees is a matter of detail ; but the primary purpose of this communication is to emphasise that the problem should now be tackled on more or less a permanent basis and that both from the point of view of safeguarding the health and sanitation of the City and with a view to providing reasonable facilities and emenities to the displaced persons, Government should give early attention to a regular scheme for a refugee rehabilitation centre or centres in places suitable for the purpose.

APPENDIX 65

Difficulties under the Bombay Land Requisition Act, 1948

Letter No. 2402, dated 2nd August 1948, from Chamber to the Legal Department, Government of Bombay.

I am directed to invite the attention of Government to a specific difficulty experienced by the business organizations under the provisions of the Bombay Land (Hotels and Lodging Houses) Rent Control Act, 1947, and the Bombay Land Requisition Act, 1948. Government are aware that the business organizations in the city, such as banks, insurance and other commercial offices, give housing allowances to their officers, in terms of which full amounts of rent for premises occupied by such officers are paid by the organizations concerned. Obviously, the tenancy of the premises occupied by the officers of those organizations should have been in their own name before the above two Acts came into force. The difficulty arising out of the position under the two Acts is that, in case an officer occupying such premises for which full rent is being paid by his employers is to be transferred to another office of the same organization or a new appointment is made for the same post, the relieving officer taking charge of the officer transferred or the new incumbent, as the case may be, would not be able to step into the premises of the officer transferred or discharged, in due course. As the tenancy in such cases has been in the name of the transferred or the discharged officer, consent of the landlord would be necessary under the Bombay Lands (Hotel and Lodging Houses) Rent Control Act, and it will also be necessary to inform Government and obtain their sanction for permitting the incoming officer to occupy the premises under the Bombay Land Requisition

Act, 1948. It has been further represented to my Committee in this connection that transfers of such officers are rendered difficult, as the relieving officer will find it difficult to step into the premises of the transferred officers without the above permission from the landlord and sanction from Government.

2. My Committee have examined the position resulting from the operation of the above two Acts. The hardship entailed on the commercial organizations paying rents for premises occupied by their officers is found to be real and the serious inconvenience resulting therefrom under the above circumstances deserves to be considered by Government in its true perspective. In the opinion of my Committee, while it may not be necessary to amend the two Acts to provide for the relieving or new officers to step into the premises of the transferred or discharged officers in due course freely, they strongly suggest that Government should issue clear instructions to the Departments concerned that, whenever an officer of a commercial organization is transferred from the city of Bombay or discharged, the relieving officer or the new incumbent of the organization coming from outside Greater Bombay should be entitled to occupy the premises of the officer so transferred or discharged, provided the commercial organization concerned had been paying the requisite house rent and provided also the organization has certified in writing about such change of occupancy, irrespective of whether the tenancy was standing in the name of the transferred or discharged officer and also whether the landlord agrees to the change or not.

3. My Committee urge that Government will be pleased to give due consideration to the above aspects of the difficulty experienced under the two Acts and provide for necessary relief.

Letter No. 1112/6983/N, dated 25th August 1948, from the Health and Local Government Department, Government of Bombay, to Chamber.

With reference to your letter No. 2402, dated 2nd August 1948, addressed to the Secretary, Legal Department, I am directed to inform you that in view of the acute shortage of housing accommodation in Bombay City and Bombay Suburban District, it will not be possible for Government either to permit all leases at present standing in the names of employees of firms to be transferred to the firms themselves or allow every employee to transfer his tenancy rights in a flat to the name of his firm to enable it to allot the flat to the officer taking charge of the officer transferred or discharged. Such transfer of tenancy rights has been clearly prohibited in law. I am, therefore, directed to request you to impress upon all business organisations not to effect any transfer of employees to Bombay from outside except in very special circumstances. If an employee of the firm residing in Bombay City or Bombay Suburban District can be appointed to the vacant post, there would be no need to allot the vacant accommodation to such a person.

If, however, it is absolutely necessary that a person from outside Bombay City must be appointed to the vacant post, efforts should be made to appoint a single person who could live as a paying guest with some family or make arrangements for his residence at a hotel or a clerk. If, further, a married person outside must be appointed efforts should be made to find accommodation for the couple as paying guests with some family and if this is not possible, accommodation should be found by the employer for them in a hotel or a club. Any extra expenditure that will have to be incurred by the employee may be reimbursed by the employer. If no permanent arrangement at the hotel or club can be made or the employer appointed from outside to the vacant post has children and must stay in Bombay City, Government would in special circumstances be prepared to allow the transfer of tenancy rights with, of course, the agreement of landlords and owners.

Letter No. 3130, dated 11th October 1948, from Chamber to the Health and Local Government Department, Government of Bombay.

I am directed to acknowledge receipt of your letter No.O-1112/6983/N, dated 25th August, the contents of which have been noted by my Committee.

It would appear that the central aspect of the submissions contained in our communication dated 2nd August has obviously not been given due consideration by Government. I am again to draw the attention of Government to that aspect and it is this. The tenancy in question, having regard to the particular circumstances explained in the previous communication, normally belong to the employer concerned, although they were formally entered or registered in the names of the employees. The employer, under the conditions of employment, paid rent for the quarters rented for the employees. In a sense, the quarters, under the circumstances explained in the previous communication, were residential quarters for the use of employees of particular commercial or industrial organisations. In the above view of the case, it is reasonable to suggest that the Government of Bombay should, as a matter of general practice, facilitate the transfer of the tenancy rights from the outgoing to the incoming employee.

Transfer of employees to Bombay from outside, under the existing circumstances, is generally done only when it is considered unavoidable by the management. The suggestion that new employees coming to the City by transfer should be provided for by arrangements with some family for taking a paying guest does not seem to have taken into account the actual realities of the situation. The practice of taking paying guests is normally not in vogue under the social conditions prevailing at the moment. Moreover, in most cases, residential accommodation in Bombay does not provide for self-contained arrangements for facilitating the absorption of outsiders as paying guests in family quarters. It is also perti-

nent to point out that in requesting that arrangements be made for the transfer of the tenancy of vacating employees to new employees, the question of finding new or additional accommodation does not arise, as the transfer would be only in respect of the premises previously occupied by an employee and rendered vacant by his being posted to another station.

Even if, under the existing provisions of Law, transfer of tenancy rights into the name of the employer is prohibited, my Committee submit that Government should administratively issue instructions that in all cases, where both the tenant, namely the vacating employee, and the landlord of the premises vacated agree to the change in tenancy in favour of the new employee, the change should be permitted and the other formalities under the existing Land Requisition Act should not be insisted upon. My Committee hope that Government will be good enough to agree to the above suggestion.

APPENDIX 66

Conversion of Military Dairy Farms into Civil Dairy and Cattle Breeding Farms

Letter No. 114, dated 13th January 1948, from Chamber to the Department of Civil Supplies, Government of Bombay.

The attention of my Committee has been drawn to reports about the general retrenchment being made in the staff of the four Military Dairy Farms under the control of Government. They are also given to understand that the milch cattle on such farms are being disposed of as the working of such farms is becoming uneconomic, there being little demand for milk produced by these farms and as the supply of milk from other sources was returning to normal.

My Committee at the outset would like to know whether the information has any basis. If Government are contemplating to bring these farms to the level of their production capacity in the pre-war period, such a step on the part of the authorities would harm the interests of the public very vitally. They would not like to go into the subject of milk supply in detail, but at the same time would point out that such supply is totally inadequate under the circumstances prevailing at present, especially in view of the large influx of refugees distributed in all parts of the Province. In fact, it will be admitted that Government in spite of representations from the public and the interests concerned, have not been able even to touch the fringe of the problem of milk supply, which is totally deficient in quantity and quality and the hygienic methods of production and supply which are considered important features relevant to the question. My Committee have had various occasions in the past to draw the attention of Government to the paucity

of milk production in the city as also in the province. Milk is a vital food for the nation and every care and attention should have been given to this question from the beginning of the difficulties experienced by the public in that direction. My Committee are, therefore, greatly concerned to hear of the disbandment of the staff of the Military Dairy Farms and the disposal of the milch cattle thereon, presumably with a view to reduce such farms to pre-war working position. The present high cost of milk sold in the city as also the toned quality supplied to the public and unhygienic methods followed in the distribution of the same should deter Government from practically dismantling these efficient sources of milk supply which would prove of great advantage in supplementing the present deficiency of supply. Besides, my Committee have been aware of the creditable development such Military Farms have made during the war years. Government may not be unaware that while such military farms produced about 3,500 maunds of milk per day during 1938/39, the production increased to nearly 35,000 maunds per day during 1945/46. These figures are sufficient to prove the usefulness of such farms in these times of deficiency of vital foods. My Committee had, in the past, drawn the attention of the Government of India to the advisability of utilising the Military Dairy Farms for the advantage of the public when their usefulness would diminish after the war, having no need to cater for the needs of the military personnel on a high scale which the war emergency demanded. The then Food Minister, Sir Jwala Prasad Srivastava, welcomed the suggestion and promised that Government would implement the same. My Committee very seriously suggest that instead of liquidating the useful organization of such farms, Government should acquire them for supplementing the public requirements. They are of opinion that Government themselves should acquire these farms for civilian necessities and the Milk Commissioner should be charged with the function of developing these useful institutions for making good the deficient supply of milk in the City and in the Province.

In this connection, my Committee would refer to the recently announced Government scheme of improving the milk supply. The genesis of the scheme is that after involving a huge sum of Rs. 50 crores within a period of five years, the improvement in supply will be from 5 ounces to 5.5 ounces per head which will be 10% increase over present production. The improvement as envisaged under the scheme is certainly not encouraging in view of the present miserably poor standard of *per capita* consumption. It is, therefore, necessary that Government should not let go the present opportunity of utilising organization and the production capacity of the military farms, which are considered, under the circumstances, considerable.

While on this they would like to have information regarding the progress and development of the Milk Farm under the control and supervision of the Milk Commissioner. They would particularly like to know the number of cattle heads on the farm and their total milking capacity per day. They would also like to have information regarding measures taken by him in regard to the supply of green nutritious fodder for cattle on farm and outside catering for the metropolitan population and for reducing the cattle mortality. In this connection, my Committee have already drawn the attention of Government to the prime necessity of ensuring cultivation of green fodder along with foodgrains on account of the great scarcity even at present being felt in regard to such necessary crops. Although Government would not agree to enforce the growing of such crops by necessary legislation, they had admitted in principle the necessity for the adequate supply of such green nutritious fodder for cattle. My Committee are anxious to know what measures Government have taken to increase the fodder crops in the Presidency. They would also like to be apprised of the results of the efforts made by Government to develop mixed farming which is considered essential in public interest.

Ministers of Government have themselves admitted the essential character of mixed farming and that such mixed farming was advantageous for the growing of foodgrains and fodder crops by scientific cropping.

In conclusion, my Committee would urge Government to apply themselves seriously to the question of deficiency of milk supply in the City and the Province and let my Committee have full information on points stressed above. They also urge that Government will not fail to utilise the organization, staff and cattle-wealth of the military farms as also the hygienic methods of their preservation and upkeep with a view to increase production of milk for use by the civilian population. They would also like to emphasise the importance of augmenting heads of cattle for providing sufficient quantity of quality milk for civilian population. It should not be lost sight of that the Military Dairy Farms had achieved creditable results in augmenting milk supply in spite of prohibition on export of milch cattle from surplus districts and States, as also against the unfavourable transport situation. My Committee would also appreciate information about the efforts Government were making for adequate supply of milk at moderate rates within reach of middle and lower classes of public of Bombay and Greater Bombay and deficit cities.

Letter No. 806, dated 16th March 1948, from Chamber to the Ministry of Agriculture, Government of India.

Sir Jwala Prasad Srivastava, at one time Food Minister of the Government of India, during his interview with my Committee

in the year 1944 welcomed the suggestion of utilising the productive capacity of the Military Dairy Farms for the use of the civilian population in respect of supply of milk when the usefulness of such farms for military personnel would be greatly diminished after the war.

On hearing about the recent reports about the general retrenchment being made in the staff of the four Military Dairy Farms under Government control, my Committee addressed the Government of Bombay drawing attention to the creditable part such dairy farms had played during war years in times of scarcity in respect of supply of milk and deploring that Government was proposing to liquidate such useful organizations which could be of great utility for civilian public if such farms and their entire organization was converted for use of the civilian population. I am enclosing a copy of the communication addressed to the Government of Bombay for your ready reference. As the matter has been fully discussed in the enclosed communication, my Committee do not think it necessary to go over the question again. What my Committee wish to point out is that such military dairy farms may be handed over to the various Provincial Governments into whose jurisdiction they may be operating, for being worked as civil dairy and cattle breeding farms for use of the civilian population. Such a step on the part of Government will be helpful in solving the question of milk supply which is at present greatly in deficit.

Letter No. F.12-2/48-L, dated 14th April 1948, from the Ministry of Agriculture, Government of India, to Chamber.

With reference to your letter No. 806 dated the 16th March 1948 on the subject mentioned above, I am directed to say that the Government of India have already advised the Provincial Governments and local Administrations to consider the desirability of taking over Dairy Farms which have become surplus to Military requirements in running condition for supply of milk to civil population.

I am also to add that the question of utilising the Military Dairy Farms for augmenting the production of milk as also ' approved bulls ' for distribution in villages for improving village cattle is under the consideration of Government of India.

Letter No. 1427, dated 5th May 1948, from Chamber to the Department of Civil Supplies, Government of Bombay.

I am directed to invite a reference to this office letter No. 114 dated 13th January urging that the Government of Bombay should acquire the military dairy farms within the Presidency, which may no longer be required for military purposes as a result of the termination of hostilities, with a view to the farms being utilised and developed for meeting the needs of the civilian popu-

lation of the areas concerned. In this connection, my Committee had also addressed a similar letter to the Government of India in the Ministry of Agriculture urging that the dairy farms should not be liquidated and that they should be continued for civilian purposes.

I am desired to send to you hereby a copy of the reply received from the Ministry of Agriculture. Government of India observe therein that they have already advised the Provincial Governments and the local administrations to consider the desirability of taking over dairy farms which have become surplus to military requirements. In keeping with the above policy, my Committee presume that the Bombay Government have already made the necessary arrangements to take over such dairy farms within its provincial limit and for running them to supply milk to civilian population. My Committee would like to be advised of the progress made in that direction. Detailed information regarding the number of such farms already taken over by the Provincial Government or proposed to be taken over may also be please furnished.

Letter No. MC/DEV-585/D, dated 26th May 1948, from the Milk Commissioner to Chamber.

In continuation of my letter of even number dated the 8th May 1948, I am to state that the following action has been taken in the matter of taking over Military Dairy Farms for civilian use :

(1) The following military assets declared as surplus have been taken over by the Director of Animal Husbandry and Veterinary Science, Agriculture and Rural Development Department, Bombay Government :

(*a*) Branch Military Dairy Farm at Nasik Road.

(*b*) Area Development Farm at Deolali (South).

(2) So far these have not been put to actual use since the titles to the lands have not been yet acquired. It is, however, proposed to establish milk-cum-bull production centres at both the places, one being utilised for maintaining the dairy animals and the other for growing of green fodder, etc.

(3) There is a proposal to acquire the Military Dairy Farm at Kapaswadi (near Chinchwad) for establishing either Milk-cum-bull production farm or a dairy colony for dislodged cattle from Poona City. It is also proposed to take over the Military Pig Farm at Wadad (near Poona) for growing of green fodder required for Kapaswadi Farms. Government is in correspondence in this matter with the Military authorities.

(4) Certain Military depots near Bombay were also got examined by this Department, but were found to be of no use for the purpose of dairying.

The above are the activities of the Agriculture and Rural Development Department, but you are probably aware that this Department has also undertaken various schemes for improvement of the Milk Supply of Bombay, which are embodied in the Bombay Milk Plan, copies of which were supplied to you in June last. Since then there has been considerable progress on the different schemes such as dairy colonization, milk distribution, long distance transport of milk, etc. and I enclose herewith copies of three quarterly reports regarding the progress made during the period ending 31st March 1948, which the Chamber might find interesting to know.

Letter No. 2773, dated 2nd September 1948, from Chamber to the Milk Commissioner.

I am directed to acknowledge receipt of your letter No. MC/DEV-385/D, dated 26th May 1948, re : the above. My Committee note that Government have practically taken over Branch Military Dairy Farm at Nasik Road and the Area Development Farm at Deolali (South) ; but that the farms could not be utilized since they were hitherto unable to acquire legal possession of the same. They also note that Government propose to acquire the Military Dairy Farms at Kapaswadi and the Military Pig Farm at Wadad for the purpose of milk-cum-bull production and growing of green fodder. My Committee have also considered the other activities of the Agricultural and Rural Development Department which are contained in the progress reports sent along with the communication under reference and which are expected at some future time to result in adequate supplies of milk in Bombay City which is at present practically being starved of the right quality and quantity of milk. While dealing with the communication under reference, it would not be out of place to refer to the fundamental urgency of taking immediate and early measures to ease the problem of adequate milk supply in the City which was stressed in their communication dated January 13, 1948. With a view to early realization of the above objective it had been suggested that the Military Dairy Farms should be acquired by Government without any loss of time and that they should be put to use to supplement the civilian milk supply. They had seriously suggested that the Military Dairy Farms should be acquired lock-stock-and-barrel to enable Government to start working them to save the deteriorating milk supply in the City and the Province. What my Committee then pointed out was the urgent necessity of not losing the present opportunity of utilizing the organization and the production capacity of military farms which were considerable.

In the light of what was expected of Government under the difficult situation existing at present in regard to the problem of milk supply, my Committee note with regret that the communication under reference which is a reply to our above letter is unsatis-

factory. They are of opinion that pending acquisition of the above farms which are in the process of being taken over legally by Government, they should necessarily have been utilized for producing milk for civilian consumption with a view to ease the short supply situation in the City. The question might also arise in this connection as to what happened to the cattle attached to the farms above mentioned. Government will be pleased to let my Committee know whether such cattle were sold or how they were disposed of otherwise. It would be of interest to learn also whether Government had taken any steps to acquire for civilian use military dairy farms and cattle at Yeroda, Pimperly, Caldecot and Kalyan.

In conclusion, my Committee would reiterate the urgent necessity of substantially improving the milk supply situation in the City in the immediate future. While they welcome long-term measures taken by Government in that direction they strongly feel that Government with its vast machinery and number of experts should have taken into consideration the immediate measures which would relieve the present hardships in the above connection.

APPENDIX 67

Difficulties of Private Distilleries under the Bombay Molasses Act and Power Alcohol Act, 1947

Letter No. 3277, dated 26th October 1948, from Chamber to the Department of Excise, Government of Bombay.

I am directed to invite the attention of Government to the difficulties experienced by the sugar factories manufacturing alcohol and other by-products from molasses under the provisions of the above two Acts relating to production, distribution and supervision by Government excise staff. Messrs. Walchandnagar Industries Ltd., have represented to my Committee the various difficulties in connection with the working of their distillation plant producing Rectified Spirit, Denatured Spirit, etc. It was with difficulty that their factory was able to secure from Government the licence to work the distillation plant valid for 10 years. They are however encountering difficulties from the Excise Department in various directions which comes in the way of the smooth working of their distilleries. They feel that under the powers vested in the Department under the above two Acts the authorities have been placed in a position to put restrictions and checks on the working of the private distilleries. As you are aware during the last war the Walchandnagar Organization had agreed to sell 60% of their production to the Government of India at a particular price. After the end of the war their agreement with the Government of India lapsed and they were selling their full quantum of production in the open market. After a lapse of time however the Government of Bombay again proposed that

they should sell to them 60% of their production at a fixed price failing which the licence of the distillery would not be renewed. They had protested then that it was not equitable to make such agreement a condition for the renewal of their licence because the same had been guaranteed for 10 years and that no such condition had been incorporated in the licence. It has been given to understand that Government have incorporated such a condition in the licences granted to other factories, viz., 60% of their produce shall be sold to Government at about As. 14 per gallon. It is felt that in the circumstances prevailing at present when Government themselves are coming into the market for sale of the production of their own distillery such a condition in respect of private distilleries is unfair and inequitable. The Walchandnagar Industries have represented to my Committee that the Excise Department having failed to impose the above condition on their works, the Department have brought to bear on them various other checks whereby the distribution and sale of their production would be affected. The Department have reduced the number of permits issued to the customers of the Walchandnagar factory. They are also trying to delay the issue of such permits to their customers. This they consider as harassment, presumably inspired by the Prohibition Policy of Government whereby the Excise Department could exercise control over the sale of denatured spirit under the plea of the spirit being used as intoxicant. It is common knowledge that Government themselves are manufacturers of Rectified spirit along with the private distilleries. The position arising out of this would be that both will have to compete against each other. Naturally enough the Government of the Province controlling the business of private persons would have an advantage over the private units. This has been borne out in the case of sale of denatured spirit. With a view to eliminate the competition Government prohibited the private distilleries from selling their produce in its original form, i.e., as rectified spirit. The result was that the rectified spirit had to be denatured by the private distilleries and subsequently sold as denatured spirit, while Government were selling their produce as rectified spirit. A check has however been placed on the Government distillery by the tightening up of the Prohibition campaign. Consequently the Government distillery was not in a position to dispose of the whole produce as rectified spirit. It had therefore to come into the market for selling its produce as denatured spirit thereby starting competition with the private distilleries. In this context it will be interesting to note the condition attached to the recent licences that the factories were to sell 60% of their production to Government at a fixed price. Since under the position existing at present both the Government and private distilleries were competitors in respect of sale of denatured spirit it is not understood why the requirement of sale of 60% of the produce of private distilleries at a fixed price should be insisted upon. The logical result of such a condition would be that Government will buy such produce at a particular

price from private distilleries and sell same under competition to the public at the market rate. The situation arising from the above juxtaposition deserves consideration from Government. The Walchandnagar Industries have further represented in the above connection that the issue of permits to their customers was restricted to such an extent that where formerly they were able to dispose of nearly 30,000 gallons per month, under the present position of restriction on the issue of permits they were hardly able to dispose of 5 to 6 thousand gallons per month. Heavy stocks have thus been accumulated as a result of this check. Their storing capacity is after all limited and as a consequence they have been compelled to stop working the distillery since April last. Their yearly production capacity is about 3 to 4 lakhs gallons of spirit for which they have a storage capacity of one lakh gallons. Naturally the distillery will have to cease working if they are not in a position to sell 25,000 to 30,000 gallons of spirit per month. Since their factory is not working, a large stock of molasses is lying with them unutilized. The factory will be in an unenviable position when their sugar plant starts working. There will be more molasses accumulating and it would be a problem for them to arrange for storage of the residue. The Bombay Molasses Act imposes various restrictions and they will be hard pressed to work under such handicaps if they are not in a position to utilize the huge stocks of molasses which they will be collecting during the working of the season.

The other handicap that is bearing heavily on the industry is the requirement to bear the expenses of the excise staff stationed in the factory for supervising and checking work. It has been represented to my Committee in this connection that the cost of maintaining the Excise Department staff in the factory amounts to nearly Rs. 13,000 annually even when the distillery may be closed. It is logical that some substantial reduction in the staff of the Excise Department should be made when the distillery may not be working.

The above is a factual presentation of the difficulties of the private distillers under the above two Acts as represented to my Committee by the Walchandnagar Industries Ltd. They have examined the hardships in the context of the conditions prevailing at present and have come to the conclusion that Government should set up an enquiry in regard to the working of the private distilleries, the procedure for sale and distribution of their products and the hardships that they may be encountering from the Excise Department in their manufacturing activities. Government are aware that these distilleries manufacturing rectified spirit play an important part in the feeding of the industrial machine of the country. The industries in general in their various processes require the distilled spirits and any obstruction raised by the Government in the production, distribution and availability of this important material would affect the working of the industries.

My Committee would in the above connection like to invite the serious attention of Government to the necessity of increasing the production of power alcohol with a view to enable the country to tide over the present serious situation in respect of transport. The Central Government themselves have admitted the urgency of mixing a proportion of power alcohol to the motor fuel with a view to offset the present deficiency in supplies of petrol. Having regard to the present serious situation of transport it is not understandable how the authorities concerned are impelled to curtail and put checks on the production capacity of the country in respect of power alcohol. It cannot be that Government are unaware of the great importance of power alcohol in the context of present shortage of petrol. The propagation of the Prohibition policy and the production of power alcohol are two separate and unrelated aspects and they need not be confused with each other. My Committee have examined the problem arising out of the above difficulties in all its implications and would seriously emphasise that Government should review the working of the distilleries at an early date and take urgent steps in the direction of exploring the maximum capacity of the country in respect of the production of power alcohol. They urge that the above aspects in relation to the manufacturing activities of the distilleries will receive early attention of Government and steps will be taken in the immediate future to rectify the position.

APPENDIX 68

Government's Policy in respect of Public Holidays

Letter No. 1454, dated 6th May 1948, from Chamber to the Political and Services Department, Government of Bombay.

The attention of the Committee of my Chamber has been drawn to the Press Note issued on 17th April in regard to the proposals of Government in the matter of observance of public holidays in the Province. My Committee have given their careful consideration to the same and wish to place the following views and suggestions before Government.

According to the Press Note, Government consider that the number of public holidays observed in this country and in this Province is larger than the number of holidays generally given in other countries. On that basis Government have thought it proper to make proposals for reducing the number of holidays. My Committee in this connection beg to submit that the climatic and cultural difference as between this country and the other countries Government have in view will have to be given due allowance before coming to a final decision in the matter. The different sections of the society in the country generally and in this Province in particular attach great importance to the observance of

the traditional festivities and occasions connected with their own community. In a Province, particularly which is cosmopolitan and in which most of the communities are represented, naturally due account will have to be taken of these cultural and traditional preferences. After all, some of the holidays in question have wider significance than mere staying away from work. The sections of the community concerned attach special importance to particular days and it would not be proper for Government, just with a view to achieving a curtailment in the overall number of holidays, to interfere with the accepted privileges, which the communities concerned have come to cherish.

Examining the proposed list of revised holidays, my Committee note that the Government propose to restore the holiday for Ram Navami. They welcome the same. They further note that the following holidays are proposed to be discontinued, namely, Hindu New Year, Maha Shivaratri, Holi and Coconut Day. The proposal is likely to lead to good deal of public dissatisfaction. The above occasions and days are considered very sacred by the Hindu community and as already explained it is not merely the question of a holiday just for purposes of abstention from work. There are important significances attached to the performance of certain rites and formalities on the occasion of these days and it would be extremely undesirable for Government to stifle the sentiments of those concerned and deny them the opportunities in question by withholding holidays in the future.

My Committee, therefore, earnestly submit that at all events the four days referred to above should be continued as public holidays under the Negotiable Instruments Act.

APPENDIX 69

Working Hours under the Bombay Shops and Establishments Act

Letter No. 3704, dated 2nd December 1948, from Chamber to the Bombay Municipality.

With reference to the previous correspondence on the above subject ending with your letter No. SE/501/SR dated the 25th November 1948, the Committee of my Chamber have considered the proposal to change the working hours for persons employed in commercial houses from 7-30 a.m. to 12-30 p.m. and I am desired to convey to you their strong objection, and disapproval of, the same.

In the first place, the change would not fit in with the habits of life and the personal convenience of the employees. Under Indian conditions of life, people generally start their work after the main morning meal. The early hours of the morning are devoted to activities of a social, cultural or religious character. In many cases, prayer is an essential routine in daily life and the

average employee would be disinclined to agree to these normal habits being upset by any innovation, which would require his presence at his work table at 7-30 a.m. in the morning.

The proposal, further, seems to ignore the practical realities of the situation. A good part of the employees in commercial establishments generally stay in the suburban centres and come to the work in the City by the suburban railway service. Owing to the recent influx of population into the City and the suburbs, the process of spreading out has received greater impetus and people working in Bombay stay as far away from the City proper as Virar and Kalyan. The suburban railway service now serving the City is, even as it is, finding it difficult to serve the requirements of the traffic in peak hours for moving the workers in the suburbs to the City in time. It would be extremely difficult for persons staying in such distant suburbs to reach the City in time to start their day from 7-30 in the morning. To reach the City at 7-30, in many cases people will have to leave their homes at 6-30 or even earlier. Even assuming that the offices as proposed close at 12-30 p.m., they will again get back to their homes at 1-30 p.m. or later. The inevitable result would be that the main meals will have to be taken by the employees after they return home at such a late hour. It is difficult to appreciate as to how such a state of affairs can be deemed to be conducive to the health of the employees generally.

In order to improve the general economic condition obtaining in the country and to combat the existing position of inflation, leaders of public opinion, both inside the Government and in public life, have lately been stressing the importance of increased production and increased work. The present proposal to reduce hours of work does not seem to be consistent with this demand for increasing production and intensifying economic activities. The activities of shops and commercial establishments have a direct relationship with the work in factories concerned with direct production. Many establishments are undertaking work of an ancillary character, firstly in the process of supplying the requirements of factories and secondly in occupations connected with the handling and the disposal of the goods produced by such factories. If hours of work in shops and establishments are curtailed it would necessarily involve a curtailment in the activities of the factories undertaking direct production.

Again, shops and commercial establishments do not work in isolation. Their working hours are more or less related to the working hours in various branches of activities. It has taken into account the working hours in banks, the working hours for essential services like posts and telegraphs, the working hours for public offices like Customs, Port Trust, etc. From the practical point of view, therefore, it would introduce a good deal of complication, if working hours in shops and establishments are changed in a

manner which does not correspond with the actual hours of work in offices concerned with such essential services.

The Bombay Shops and Establishments Act has fixed overall limits for work in shops and commercial establishments. Under that Act, it has been laid down that an employee in a commercial establishment shall not be required to work for more than 9 hours in any day and not exceeding 48 hours in a week. The authorities should not introduce any further limitation or regulation on the hours of work for the purpose of the above Act and the individual employer should continue to have the freedom to regulate the opening and closing hours of their individual establishments within the overall limit prescribed by the Act.

My Committee are strongly of the view that the proposed change is not feasible and is not in the general interests of the community and request that the Bombay Municipality will be good enough to abandon the same.

APPENDIX 70

Examination for the Certificates under the Auditors' Certificate Rules, 1932

Letter No. 3470, dated 15th November 1948, from Chamber to the Indian Accountancy Board.

The attention of the Committee of my Chamber has been drawn to the very heavy percentage of failures at the recent Examinations conducted under the Auditors' Certificate Rules, 1932. It has been pointed out that on many occasions the questions set for the past examinations have been of a standard which, perhaps, was very much in advance of the requirements of the situation. After all, such professional Examinations are intended to test the suitability of the candidate to hold satisfactorily the position in the profession which he is normally expected to do or to fulfil the role in business. These Examinations are not obviously intended to be in the nature of an intelligence test or a test to compare the quickness with which the examinee is doing the calculations in relation to the time taken for such calculation by an automatic accountancy machine. The psychology of the students sitting for the examinations has also not been, it appears, given adequate consideration. The reaction created by an extremely difficult or a lengthy paper in the Examination Hall should not be minimised.

While my Committee are anxious that the standard of the Accountancy profession in the country should be kept at a reasonably high level and that the test prescribed as examination should ensure the maintenance of the requisite standard, they would like to point out that the papers set for such examinations should be such as could be attempted and completed with success by an

average candidate within the time allotted. Similarly, success at the examination should not depend on the solution of all the problems or questions set at a time. In short, the examination test should not turn out to be something in the nature of a terror to the students. It has further been suggested to my Committee that the Question Papers set at recent examinations reveal another feature. Many of the Examiners fail to recognise the obvious fact that the examinees may not be expected to know every detail regarding any particular matter. If the examinee is able to indicate the correct source to which he will refer, if confronted with a problem, because in actual practice he will have the assistance of such sources of reference as and when needed, he should be deemed to be satisfying the requirements of the test. Such a course is particularly necessary in dealing with technical subjects like Cost Accountancy, Income-tax, Mercantile Law and Company Law papers, where knowledge of the candidate is often confined to theoretical study of essentials and where, again, the law and practice is subject to frequent modifications, making it almost difficult for a prospective examinee to familiarise himself with all minor details. It would appear that in the past too much emphasis had been paid to such details.

It has also been observed that there is a general tendency among the examiners to set very technical and complicated questions on subjects like Economics at the Final Examination. Students of Accountancy, naturally, cannot be expected to be experts in the study of economics. The inclusion of the subject in the Syllabus is obviously intended to ensure that the students have a general idea of the broad principles of Economics. The standard of the papers set in the subject for the final Examinations of the Society of Incorporated Accountants is aimed at only testing the general knowledge of the students on the broad principles of elementary economics.

My Committee suggest that the Board will be pleased to look into the matter and issue such general instructions to those who are entrusted with the task of setting the Question Papers, from time to time, as would result in the examinations being conducted in a manner which would mainly test the general mental development and outlook of the candidate. My Committee reiterate that they have no desire to suggest that the standard of the Accountancy profession in the country should, in any way, be lowered ; on the other hand, with the autonomous status proposed to be given to it under the new legislation, the standard should be maintained, but the Question Papers set at the examinations should be mainly with a view to test the capacity of the examinee in regard to the essentials of the Law and Practice of the profession.

APPENDIX 71

Speeches of the President and Vice-President delivered at the Quarterly-Meetings of the Chamber

Speech of Mr. Ramdas Kilachand, President, Indian Merchants' Chamber, at the First Quarterly General Meeting of the Chamber, on Monday, the 10th May 1948 at 4 p.m.

FRIENDS,

The Report of the work done by the Committee during the Quarter that has just ended has been circulated to you through the medium of the issues of the monthly Journal of the Chamber.

A great tragedy befell the country during the period under report. We had the misfortune to lose Mahatma Gandhi, the Father of the Nation, under circumstances too painful to recall. He was laid to rest by an act of felony committed by a fellow-citizen. Coming on the top of a series of tragic events after the 15th of August last, the tragedy naturally unnerved the entire Nation. We needed him most at this juncture to guide us in our efforts to consolidate the newly won freedom and to achieve the task of planning that freedom for our economic regeneration. That guidance, however, has been denied to us ; but the heritage of self-confidence and self-reliance, which he has instilled in the people during the years of his leadership, will, let us hope, give us the necessary strength to adhere to the laws of life and the political tenets which he preached and practised and help us to overcome the difficulties that confront us. The greatest tribute that we can pay to his memory is to so ordain ourselves as to truly reflect the philosophy of life for which he stood and strived.

The tributes that have flown from different parts of the world indicate the unique position Mahatmaji had attained in the estimation of entire mankind. The country has properly decided to raise a National Memorial in a form and on a scale which will make his ideals immortal. It is the duty of one and all of us to see that the Memorial Scheme attracts the necessary measure of voluntary and spontaneous response. Our leaders have already appealed for contributions to the Memorial Fund. I am sure that true to their traditions, the commercial community will contribute liberally to the Fund.

International Affairs

The Second World War ended nearly three years ago but a war of nerves has started which portends ill for the future. Power politics are again dominating international affairs and there are distinct evidences of the major powers arraying themselves into two camps. The territorial integrity of smaller nations is threatened and the conflict in ideologies between the major powers is forcing new alignments. The United Nations Organisation, which

was inaugurated with trumpets and fanfare as harbinger of a new world order, is not able to withstand the impact of national and international jealousies and the danger of this machinery of international collaboration going the way of the old League of Nations is looming large. In this ebb and flow of power politics, the main problems of peace and tranquility have receded to the background. So far as India is concerned, the Kashmir debacle has brought to the forefront that the purposes and principles for which this world organisation was set up no longer animate those who are at the helm of affairs. Unless the gulf between precept and practice is narrowed, it is difficult to inspire faith in efforts to sustain international peace and goodwill. While India is genuinely anxious to play its part in the comity of nations, she is not interested in the conflicts resulting from power politics. It should be her endeavour to steer clear of the consequences of these conflicts. Let us hope that the rumblings that we hear are not a prelude to a more deadly war and that the price which the world has paid in blood and tears will make the statesmen of the world to think afresh and to view the problems facing them from an entirely new angle.

Indo-Pakistan Trade Relations

The storm which was let loose in the internal developments after August 14, has abated and there is comparative calm. There is profound feeling of relief that the worst is over. In this crisis, the quality of our leadership has stood the test and the stature to which our beloved Prime Minister, Pandit Jawaharlal Nehru and his doughty lieutenant the Deputy Prime Minister, Sardar Vallabhbhai Patel, rose in evolving order out of chaos and confusion has evoked admiration all over the country. It is the duty of all, irrespective of party or political affiliations to stand firmly and solidly behind the Government and the leaders in this hour of destiny and to assist them wholeheartedly in the stupendous task of restoring normalcy and building the edifice of the new India truly reflecting the hopes and aspirations of the people.

It was hoped that the effects of the political partition of India would in a large measure be mitigated by efforts to preserve the economic unity of the sub-Continent by the evolution of common policies in spheres of activities which cut across geographical boundaries. Unfortunately, political temper and certain fissiparous tendencies at one stage threatened the progress and development in that direction. The termination of the Standstill Agreement and the imposition of Customs barriers between the two Dominions resulting in the application of controls and restrictions in regard to movement of goods from one territory to the other gave rise to fears that the earlier hopes of the two countries conducting their common activities in a spirit of neighbourliness would be frustrated. Let us hope that the pact signed last month at Calcutta following the inter-Dominion Conference would now make

it possible for the two countries to pursue the threads of the previous negotiations for achieving a good measure of integration in economic policies and activities.

Merger of Indian States

One achievement in this period of stress and strain stands out in bold relief and that is the success of the efforts to integrate the institution of Indian States into the frame-work of the Indian Dominion. It was at one stage feared that the restoration of Sovereignty to the rulers of the States following the withdrawal of British Paramountcy would accentuate the problems consequent upon partition. By the tact and energy displayed by our Deputy Prime Minister, Sardar Vallabhbhai Patel, this has been avoided. A large number of States have merged themselves into the Union. This is a development which augurs well for the future and will be of great help in building up the economic structure of the country as a whole.

Industrial Policy

On 6th of April, Government of India issued a Statement outlining their Industrial Policy. Naturally this Statement has attracted a wide measure of public attention. It lays down the aims and objectives of the policy of Government in the field of industrial production. The central aim as set out in the Statement is the establishment of a social order in the country where justice and equality of opportunity shall be secured to all the people and towards that end Government propose careful planning and integrated effort over the whole field of national activity. The immediate objective is to provide educational facilities and health services on a much wider scale and to promote a rapid rise in the standard of living of the people by exploiting the latent resources of the country and by offering to all opportunities for employment in the service of the community. Emphasis is rightly laid on the primary need for expansion of production, both agricultural and industrial, and in particular on the production of capital equipment, of goods necessary for meeting the basic needs of the people and of commodities, the export of which will increase the earnings of foreign exchange of the country. There can be no two opinions on these objectives and aims and the purposes of the policy as set out in the Statement. The proposal to establish a National Planning Commission to formulate the programme of development is also welcome.

There has recently been a good deal of public discussion and controversy over the question of role of private enterprise in the industrial development of the country. The principle of State ownership and operation of industrial undertakings was being increasingly advocated on the plea that it would help to secure a more effective utilisation of national resources. The country also was not immune from the international developments in that direc-

tion and the ideological appeal in favour of socialism threaten to cloud the practical realities of the situation. In that context the Government of India's Statement of Policy shows a refreshing sense of realism in recognising the limitations of the mechanism and resources of the State in undertaking the tasks ahead. Government at the same time assert that the State would continue to play a progressively active role in the development of industries but the ability to achieve the main objectives would determine the immediate extent of the responsibility and the spheres in which the State would interest itself directly. Perhaps with a feeling of regret the Statement notes that it may not be possible for Government to function forthwith in industry as widely " as may be desirable ". Thus in deciding to permit private enterprise to continue to function in the fields in which they already function Government seems to have made a virtue of necessity. This approach to the ultimate role and place of private enterprise in the economic activities of the country is bound to cause some feeling of disappointment. While the right of a Sovereign State to undertake any activity or run any enterprise at any time in the larger interests of the Nation is not disputed, it would have been more in keeping with the requirements of the situation, if Government had categorically and boldly decided to confine their attention to a specified sphere leaving the rest of the activities to be undertaken and run by those who show the necessary initiative and are willing to undertake the normal hazards and risks incidental in the promotion and development of new enterprises and the expansion of existing ones.

We may at this stage examine how far public ownership and operation of industries has definite advantage over private enterprise. In this the experience of the result of working of nationalised industries, both here and elsewhere, should prove to be of some guidance. Railways have been operated by State and private enterprise side by side in India for a long time, although almost all the important railways have now been taken over by Government. It is common knowledge that the efficiency of the State railway services has suffered in comparison to the state of affairs under private management. The ratio of operating expenditure has also gone up. Similarly the telephone systems, which have progressively gone under State management, show a record of deterioration in efficiency and standards. The experience in other industrially advanced countries also confirms the view that in spheres where the process of production is technical and complicated and the element of risk greater, private enterprise and management proves itself far superior to State enterprise. The United States of America is an outstanding example of unqualified success of private enterprise. Production in that country has shown progressive increase ; technical efficiency is at its best and the results from the point of view of both the financial success of the individual units and the industrial progress of the Nation

as a whole have been astounding. Cost factor has been tackled by mass production and consequently private owned industries in that country are able to meet the requirements of the consumers fully at a much cheaper rate. From the point of view of social benefits accruing from industrialisation, wages and the standard of living in that country are the highest. No other country, not excluding the Soviet Union, where industries and enterprises are nationalised either wholly or partly, can come anywhere near the United States either in the matter of the record of all-round progress and development or in the matter of the results and success achieved by any specific branch of industry or the industrial structure collectively. A dispassionate survey of the results of working of both nationalised industries and industries under private management inevitably leads to the conclusion that on economic grounds there is hardly any justification for the adoption of nationalisation as an irrevocable and general policy. In India, particularly, under the present conditions, with her immense untapped resources and the vast schemes of education, public health and similar other nation-building activities awaiting implementation, Government with their present financial resources and the limitations in regard to organisation, should not undertake the operation of industries on any significant scale.

It is the right of a citizen as an individual or jointly with others to set up any business for himself and to venture his personal efforts and capital. The reward of success means not only profit for himself but increased employment and prosperity for all. The processes of exploration, research, invention and experiment, so essential for success in industrial enterprise under modern conditions, are also characteristic of free private enterprise. Freedom of competition is the bulwark of the individual enterprise system. Competition again serves the public in holding down cost of production and distribution, in widening the choice of goods offered and in improving quality. Competition is also a regulator of prices, an incentive to productive efficiency and a guarantor of fulfilment of public wants. On the other hand, Governmental ownership and operation would in due course of time result in monopolistic conditions which generally leads to inefficiency and political patronage. It would subject enterprises to such political pressure from groups inside and outside as to prevent businesslike operation. The case for continuation of private enterprise was very succinctly stated by the American Delegation to the International Business Conference held at New York in 1944 in the following words :

> " Government cannot create wealth apart from the wealth of the governed or provide for the needs of all its citizens as well, as these citizens can themselves provide. We believe that Government can best serve by providing maximum opportunity for the individual. We believe moreover that this is solely consistent with Government providing some reasonable

level of individual security ; but in the last analysis a reliable basis of security for the individual commensurate with our American standard of living can be provided only by the individual enterprise, energy and productivity of the people themselves."

Coming back to the Statement on Industrial Policy, Government have demarcated the spheres of activity of the State and private enterprise. Certain industries and activities of strategic and national importance like manufacture of arms, running of railways, etc. will be undertaken exclusively under State ownership and management. This is perfectly understandable. In respect of certain other industries, which are of vital importance to the country, such as coal, iron and steel, aircraft manufacture, shipbuilding, manufacture of telegraph and telephone materials, mineral oils, etc. existing undertakings will not be disturbed for a period of ten years but new undertakings will be the exclusive responsibility of the State. From the practical point of view, the operation of industries, both private-owned and State-owned in the same sector, will lead to the emergence of conditions which may militate against the main purpose of achieving the progress and expansion of industries in question as a whole.

Government have announced that the existing industries under this group will be allowed to be continued as private enterprise for the next ten years, during which period they will be allowed all facilities for efficient working and reasonable expansion. At the end of this period, the whole matter will be reviewed and a decision taken in the light of the circumstances obtaining at that time. In order to assist the existing units to look ahead and plan schemes for expansion, Government should make it clear that normally they have no intention of acquiring existing industries in this group and that the time limit was intended as a safeguard to be acted on only in exceptional circumstances and cases. The development of the group of industries which are considered by Government of basic importance will be planned and regulated by the Government of India. The location of these industries will be governed by economic factors of all India importance. The rest of the industrial field is to be left open to private enterprise, individual as well as Co-operative. This decision to leave a sector clearly earmarked for private development is indeed welcome. At the same time, it is subject to the reservation that the State will also progressively participate in this field and will not hesitate to intervene whenever the progress of an industry under private enterprise is in the opinion of Government unsatisfactory. When, as a matter of official policy, Government are laying down demarcated spheres for development, the prospect, that the State may also eventually progressively participate or intervene in the sphere agreed to be left to private enterprise, is not calculated to engender that degree of enthusiasm and interest, which alone would secure quick and speedy results. At least this field should be left exclu-

sively to private enterprise so that uncertainty about the ultimate future may not unduly depress the pace of expansion and development of industries in this sphere.

Government in their Statement have also given an assurance that as and when private-owned industries are taken over, fair and equitable compensation would be paid. A more detailed indication of the basis of arriving at the amount of compensation is called for. All accepted factors influencing the valuation of fixed assets and property should be taken into account while calculating the amount of compensation. The compensation should also provide for the reserves and the goodwill built up by an undertaking, its potential earning capacity, and factors of a similar character. Investors who have made investments on current market values should not be penalised by being called upon to accept compensation calculated on the basis of the cost or face value of the physical assets sought to be transferred or acquired.

The assurance that Government will assist private enterprise by removing transport difficulties, by facilitating import of essential raw materials to the maximum extent possible, by a tariff policy which will prevent unfair foreign competition and which will promote the utilisation of India's resources and by a readjustment of the system of taxation in a manner which would encourage saving and productive investment, is welcome and will go a long way in stimulating increased and sustained efforts for achieving the expansion of existing industries and the development of new ones.

I have thought it necessary to refer to the Government's Statement on Industrial Policy in detail and to point out some of the obvious drawbacks in order to emphasise that Government would be assisting to create greater enthusiasm for their plan by a positive assurance that the immunity from nationalisation in respect of the existing industries would not automatically end after a fixed period of years and that in the sector normally intended to be left for private enterprise, Government would not interest themselves progressively or otherwise.

Speech of Sjt. Bhawanji Arjan Khimji, Vice-President, Indian Merchants' Chamber, at the First Quarterly Meeting of the Chamber on 10th May 1948.

FRIENDS,

The President has, in his speech, made a passing reference to the developments in the sphere of the relationship between the Indian Dominion and the States. The programme of unification has been pursued with great vigour and the main aims are the introduction of responsible government and the raising of the standard of administration, etc. Three distinct schemes are in operation in the process. The first is the merger of the States into adjoining Provinces of the Indian Union ; the destinies of the

States so merged will be bound up with those of the provinces concerned and automatically for all purposes, political and otherwise, they become part of the provinces and consequently come directly within the framework and jurisdiction of the Union Government. The second scheme is the Union of the States. Groups of adjoining States have, on the basis of voluntary agreements, bound themselves together and established common relationship with the Indian Union. By this development, the financial position and the administrative machinery of the areas covered by the different Unions are strengthened and the natural cohesion will prove conducive to more intimate contacts and relations being established with the Indian Union. In the third category, some of the States, while continuing their separate existence, have formally acceded to the Indian Union.

The above developments, apart from the political advantages, will pave the way for a unification of the economic activities in the country as a whole. It was our experience in the past that the differential standards and the differences in the scope of the law and administrative procedure and practice in some of the Indian States had led to practical difficulties in regard to the regulation of economic activities on a unified basis in the country as a whole. As an instance in point, it was often complained that the lower labour standards obtaining in Indian States territory had placed industries located in India in a position of disadvantage in so far as their competitive capacity was handicapped to the extent in the difference of the obligations cast on employers in Indian States by the labour laws prevailing there. This difficulty will automatically disappear in the States which have merged with adjacent provinces.

It would, however, appear that the relations between the Union of States of the second group and of the Independent States in the third category on the one hand and the Indian Union on the other, will continue to be governed by specific Instruments of Accession and common policies will automatically follow only in spheres which are surrendered to the Indian Union in the process of such accession. In a generality of cases the acceding States have surrendered only Defence, Foreign Affairs and Communications to the care of the Indian Union. In theory, therefore, it would be open to those States to continue their own policies in regard to several other matters which have a common application. We have before us a scheme of economic planning. The entire field of national activity is to be developed on the basis of a central plan. Unless the States above referred to also come within the orbit of that plan, there would naturally be practical difficulties which were besetting our common endeavours in the pre-independence period. There must, therefore, be an organised effort to persuade the acceding States to entrust all branches of activities which, under the scheme of the new constitution, would be under the Central Government, to the Union authorities. This could be

done by bringing about suitable modifications in the Instruments of Accession or on the basis of separate agreements. The success that has attended the efforts of the State Ministry in bringing about the political fusion with a large number of States within the Indian Union, encourages the hope that efforts in the direction of economic integration will also in due course bear fruit. We commend this aspect for the kind attention of the Deputy Prime Minister and the States Ministry.

Policy of Gradual Decontrol

After deliberations over a considerable time, as you are all aware, our National Government took the important decision in favour of a policy of gradual decontrol. The decision of Government was based on the interim recommendations of the Foodgrains Policy Committee appointed in September 1947 to examine the present position of food supplies in India and the position in the next five years in the light of production, procurement, imports, distribution and controls. The Committee submitted the above interim report in the middle of October and after summoning a Conference of Food Ministers of the provinces the Government came to the conclusion that progressive decontrol was the best remedy for the various malpractices which had come into existence in the wake of the controls. This decision was again backed by the dynamic efforts of our revered and departed leader Mahatma Gandhi, who by his persuasive logic put up a strong case for the gradual decontrol of commodities, in the first instance particularly food, and for making the country more and more self-reliant in respect of essential requirements.

It is now some four months since Government have implemented their decision and withdrawn the controls on some commodities. I do not propose to go into the details of the food position in the country prior to decontrol, and also the debilitating effects of the various controls which have been existing. You are all perfectly aware of the situation. My object is to survey the field in general since decontrol and indicate the beneficial or other effects of the policy followed by Government. Of all the decontrol measures taken during December/January last, the progressive decontrol of food has been the most important one and has also given room for sharpest controversies. Taking, therefore, the food control first, it may be pointed out that the virtue claimed for the decontrol was that it would help to ease supplies by brining them into open market and also by keeping prices at a fairly reasonable level. It was also expected that this would enable Government to lessen their responsibilities in respect of rationing obligations and thereby effect greater economy on food imports which they were forced to make. On the other hand, the fears entertained were that there would be a general breakdown of the food economy resulting in acute shortage over wide areas and subsequent famine conditions. It may be pointed out at once that

the wild fears mentioned above have been falsified and the food position as revealed by the latest official sources point to a definite improvement. Only just two weeks back the Conference of Food Ministers met at Delhi to review our food position in the light of the revised policy of decontrol. The Prime Minister himself has observed that the country has been able to avert the catastrophe on the food front, though he at the same time emphasised that difficulties still remained and that there should be no slackening of efforts. The Food Minister also expressed himself the same way that "after all our food position is not as bad as some people might imagine." Referring to the internal position he quoted the revised estimates of the yield of the seven major foodgrains of the country which showed greater production when compared to the last year notwithstanding the large setback to the tune of about 1,200,000 tons in the crop production of Madras due to the failure of the monsoon. The production in 1947-48 is estimated at 40,425,000 tons as against only 39,528,000 tons in 1946-47. This means that the production has increased by 900,000 tons more of last year though as far as the total requirements of the country are concerned there is still a deficit. He also pointed out that the crop in some parts of Northern India have been above the average and he expected that this would materially affect in a favourable direction both our supply and price position in the coming few months. What is more comforting is the improvement which is also noticed in our imports position. The normal imports have been to the tune of about 2,500,000 tons. It was expected even so late in February that the country may not be in a position to import more than 1,700,000 tons during 1948. But since then the chance of securing 2,000,000 tons have definitely improved. The Food Minister further expressed that the contributions from the Provinces and the States to the Central Government would come up to 5 lakh tons instead of 3 lakh tons as anticipated before. Including 5 lakh tons which were carried over for 1947, the total availabilities of foodgrains for distribution are now calculated to be 3,600,000 tons. It is, therefore, clear that the statistical position does not warrant any undue pessimism regarding the effects of decontrol of food in the coming months. At the same time, as the Food Minister has rightly pointed out there should be no room for any self-complacency. This is so because there are certain factors which are necessary to make the revised policy of Government a complete success such as the co-operation of the public and the trading community as well as the improvement in transport facilities.

Having reviewed the effects of the policy of gradual decontrol, it must be conceded that there have been increases in the rise of prices of the commodities which have been removed from control. The current prices particularly in the case of popular cereals, wheat and rice, are definitely much higher than those prevailing under control. This is no doubt a very distressing feature which

has been made use of by the critics of this policy to point out that their fears of famine would soon prove true when the present supplies are exhausted. The phenomenon of high prices is marked only in the deficit areas of Madras, Bombay and to a slightly less extent West Bengal and can be expected to be corrected when supplies move more freely from surplus to deficit areas. I must at the same time make it clear that decontrol has best served to bring out in bold relief the definite shortage of food supplies in the country and this can be remedied only by a vigorous drive to increase food production by both intensive and extensive farming. So far as food is concerned I am, therefore, inclined to view that decontrol has definitely had favourable effects on the overall availability of supplies and given the necessary transport facilities for movement of foodgrains and measures to grow more food, the prices will in due course gradually come down and adjust themselves to a reasonable level.

Considering next the relaxation of control on gur and sugar no one can deny that it had had more satisfactory results. These commodities are now freely available in the market. The price trend in the case of sugar may not be as satisfactory when compared to gur, but it must be conceded that the rise in sugar prices has been due to a combined increase in cane prices and wages in sugar industry. The sharp fall in prices in the case of gur explains the fact that supplies of the commodity are adequate to meet the normal demand. This again illustrates that when steps are taken to ease the supply position prices must normally go down.

The third important instance of decontrol has been that of cloth. It was in the middle of January that Government virtually decontrolled cloth except for certain restrictions of regional quotas and movements and also voluntary control of prices by the industry. It is true that the rise in the prices was not in consonance with the assurance given both by the trade and industry, and so far the expectations roused in January did not materialise. This was because as in the case of sugar the rising trend of raw cotton prices and wage cost were steadily increasing with the result that a certain degree of upward trend in textile prices was inevitable. By their recent communique Government have removed stamping of prices on the products of the mill industry. They have also stated in their communique that they are deeply apprehensive of the steep rise in prices of cloth and it may be necessary to adopt measures to counteract such tendencies if they persist. However, I hope that under conditions of a free market and the play of the economic forces of supply and demand, the prices, given time, will adjust to reasonable levels. Besides the transport bottleneck as the Government themselves have accepted is largely responsible for the unsatisfactory situation. As I have already pointed out above, a free movement of decontrolled commodities in a large measure and the supply from surplus to deficit areas will thin out the disproportionate increase in prices. Similarly, all inter-

district, inter-provincial and other inter-regional restrictions which are yet in force should be removed in order to facilitate the free movement of stocks. I feel that in the case of cloth the time for examining afresh the system of regional quotas is long overdue ; the movement should be left to the normal trade channels and there should be no restrictions to have textile goods freely.

I would like to take this opportunity of appealing to the industrialists and the merchants to spare no efforts to make the policy of decontrol a success. Conditions of scarcity afford to those who are unscrupulous, opportunities for exploiting society. The war and the atmosphere of greed that it had let loose led to a deterioration in the moral standards and the foul acts of a few earned a bad name for the community as a whole. In the altered context of affairs, it is our duty to so ordain ourselves as would free us from the reproach of deliberate intentions to hold back supplies or to profiteer. We must realise our true role in society and discharge our duties in a spirit of service. During the period of the control, we had all along protested that the artificial checks and inhibitions imposed by the control scheme were mainly responsible for some of the malpractices which had sprung up. Some of the major controls having been removed, it is our duty to safeguard against a recurrence of the same set of conditions. We hear every now and then complaints about corruption in administrative services. Corruption cannot be practised or cannot flourish unless the party who is victimised willingly or otherwise allows himself to be an abettor. Let those who have to deal with the administrative services in question exercise a greater measure of self-control and deny themselves the immediate advantage resulting from any arrangements based on illegal gratification. The Popular Governments, on their part, are endeavouring their utmost to root out this evil. If we cannot actively assist them in bringing to book the delinquent members of the services, let us at least make it impossible for the abuse to flourish by religiously deciding to refrain from encouraging it directly or indirectly.

Commercial Organisations on Communal Lines

A system of communal representation in Public Bodies was first introduced in this country in the year 1909 under the Minto-Morley Reforms. It received the stamp of public approval in the year 1916 when the Lucknow Pact accepted the principle of separate electorates which incidentally also gave some weightage to the minority community. In retrospect, this has proved to be a very retrograde step. The fissiperous tendencies noticed then received an impetus during the period of the political turmoil and even in spheres unconnected with politics, organisations with a communal bias came into existence. During the last decade the contagion spread to the sphere of trade and commerce and we have the sorry spectacle of Chambers of Commerce and Trade Associations being started and developed on communal basis. In

the altered conditions of today this state of affairs must definitely come to an end. In the political sphere the ghost has been laid to rest and the principles on which the new constitution of India are to be based will not countenance the system of communal representation or separate electorates. Our day-to-day trade activities are not regulated or conducted on a comunal basis. In fact, trade is the sphere where all communities rub shoulders freely and the daily contacts and relations are free from this bias. There is no longer any justification therefore for perpetuating the spirit of isolation in regard to trade organisations. Persons who are actively associated with such organisations will see the spirit of the times and recognise the advisability of liquidating communal activities on an organisational basis. Even if the organisations are not voluntarily wound up, at least Government should not attach to them any representative character and should withdraw or withhold recognition from such communal organisations. Trade organisations should be broad-based and should represent generally trade, commerce and industry collectively or a specific branch of trade or industry as the case may be. Just as communal organisations can no longer expect to have any representation in the legislature, even so, communal trade organisations should not be given separate representation in any Public or Local Body or in any of the Committees or Councils functioning or set up under official aegis. We have now a secular State and it is logical to expect that our economic, social and cultural activities are also freed from any communal tinge.

Speech of Mr. Ramdas Kilachand, President, Indian Merchants' Chamber, at the Second Quarterly General Meeting of Members of the Chamber on Friday, the 20th August 1948.

FRIENDS,

The report of the work done by the Committee of the Chamber during the previous quarter has, as usual, been circulated to members through the issues of the Monthly Journal of the Chamber.

Political Developments

You will, naturally, expect me to adhere to the traditional practice of utilising this occasion for giving expression to our thoughts and views on some of the questions which are uppermost in our minds. A passing reference to the trends in the political sphere will perhaps not be out of place. At the moment, the international political situation is sufficiently tangled and any statement of views or description in the conventional manner is rendered extremely difficult. The disappointment of the hopes held earlier, of the Statesmen of the world, having learnt the lessons of the war, trying to bring about a new atmosphere of goodwill and international amity, has manifested itself in the developments

of the past few weeks. The deadlock and the difficulties which we are experiencing in the sphere of international relations is, perhaps, a symptom of much wider and deeper divergences in outlook and in aims and objectives as between the different nations now at the helm of affairs. The atmosphere of charges and counter-charges is persisting and there are portents, sufficiently ominous, of collision of policies and methods of a fundamental character. While it is no use under-estimating the seriousness of the situation, the continuance of the efforts to find out a solution for the *contretemps* at Berlin raises the hope that a final rupture and an ultimate conflict may be avoided. In this context of international bickerings, the role of India is sufficiently clear. While we have no interest in these power politics, we shall always be glad to make our contribution in any collective effort for building up a world structure of peace and prosperity.

The 12 months period that has elapsed has been one of significance in the history of this land. Two events have more than anything else made it so. Primarily it was the first year of our newly-won freedom. Secondly, it was a period during which, out of chaos and disorder, we have been able to see our way clearer in our path of progress to Nationhood. While it is unpleasant to reflect on the grim happenings that followed the 15th August 1947, it is, indeed, a matter for satisfaction and consolation that the challenge has been met, that the difficulties have been overcome and that those in whose hands the destinies of the country are at the moment placed, have been able to steer the ship of State clear of all these shoals and storms and to take it towards more chartered waters. This is not to say that all the difficulties, with which the path of our freedom was beset, have been overcome. The process of consolidation is still under way and there are problems, some of them important owing to their ramifications, remaining to be solved. Issues like Kashmir and Hyderabad which, at the moment are perhaps in everybody's mind, are among the more important of the larger problems awaiting settlement. If Government action, in dealing with the Hyderabad situation, has, in popular opinion, been less spectacular and too slow, it may perhaps be due to the circumspection in the pattern of their overall policy. Considering the sweeping changes which have taken place and the tornado of bitterness and unreason which the developments unleashed, we have reason to be thankful to our having survived the crisis. This achievement is something in the nature of a standing tribute to the height to which our leadership rose in those crucial days and it is our duty to stand steadfastly behind them in their efforts to further consolidate the position of this country as a free and independent nation.

Economic Conditions

The vicissitudes in the political fortunes necessarily influenced in a large measure the general economic conditions during that

period. The uncertainties inherent in the situation delayed effective and planned action in regard to the programme of industrial development and expansion. Doubts and fears about the future lines of Government's financial, taxation, economic and industrial policy acted as further dampers on any large-scale or organised effort for greater private initiative and enthusiasm for meeting the increasing demands of supplies and goods in the country. Meanwhile, the spiral of rising prices and rising money incomes assumed the proportions of a major challenge to our economic fabric. The relaxation of controls towards the end of last year is sought to be explained, in certain quarters, as a major factor in the deterioration in the position since that period. One cannot help pointing out that, perhaps, this is only an attempt to point out to the removal of the control as an excuse in a situation in which the country has not been able to forge sufficient remedial measures. Even the best advocates of decontrol have from the very start conceded that after the controls had been in existence for a fairly long period, the immediate reaction after removal would be a state of affairs in which prices would go up, in some cases with a spurt but that with the necessary re-adjustments rendered inevitable by the free play of normal forces, they would in due course find their level. The policy of decontrol has not had a fair trial and has been comparatively short-lived. Controls were in existence in this country for a very long time. They were tried in other countries also in varying forms and with full rigidity, but generally they failed to do the trick of either ensuring equitable distribution of the limited supply of available goods and services or of keeping prices at levels which the framers of control thought to be proper. When it is the question of a race between rising prices and rising personal incomes, it is a matter of experience that prices always win in the long run and the gap between supply and demand seeks to find adjustment in a regression in demand caused by a rise in prices. The negative approach of controlling distribution or controlling prices is not a solution of the problem. Even as a remedy, it is of doubtful utility. The problem has to be tackled from the positive standpoint of devising measures to improve the supply position and to increase production. It is sought to be suggested that industry, in not having been able to secure the maintenance of prices at stable levels, has not played its proper role and part and, therefore, cannot justifiably complain against the re-introduction of controls. The removal of the controls, it must be conceded, at least brought about an improvement in production, e.g. in the textile industry. Unless the overall position of shortage is corrected by a comparative increase in supply by increased production, the re-introduction of control cannot offset the natural law of supply and demand making its influence felt on the price structure. It is no use minimising the administrative difficulties inherent in enforcing controls on essentials of life which are in short supply. The difficulties connected with enforcement are all the greater at this juncture, when we are feeling the shortage of

experienced administrative personnel. The past experience of the results of the working of controls either here or elsewhere does not justify the expectation of re-imposition of controls being able to secure the desired results now.

It is a matter of common knowledge that all our efforts to intensify and improve production have not so far met with the expected degree of success. In fact, the survey made at the time of the Industries Conference last year disclosed that we are not making the maximum use of our existing installed manufacturing capacity. The psychological forces released by the Industrial Truce were expected to bring about a substantial degree of improvement in the production front ; but unfortunately due to a variety of factors, chief among them being the continuance of labour recalcitrance, the hopes have not been realised to any significant extent. The working class must be made to realize that the budget of the worker will not be realistic in relation to prices so long as labour efficiency continues to be low. Ways and means of stimulating output have to be devised and in this connection schemes of payment of wages by results may well be considered. Wages will have, sooner or later, to be linked to efficiency and output and when there is a demand for guaranteeing minimum wages, it is natural to expect that the corollary of minimum output for the prescribed wage is also guaranteed. Industrial wages are in the nature of compensation for productive effort expended in the occupation and it is not unreasonable to suggest that the amount of wages paid should have some direct relationship to the qunantum or degree of effort put forth. Policies and measures designed to encourage increased output per head and for improving labour efficiency are at present being tried in other countries and their place and role in the schemes for improving production in this country will have to be investigated.

Coming back to the main issue of the problem of inflation, I cannot help emphasising that the remedy lies in directions other than re-imposition of controls. Apart from gearing up output to the fullest extent of existing productive capacity in all major industries, the project of overall planning for the country, over which a good deal of spade work has already been done, should be taken in hand and pursued with greater vigour. It is encouraging in this connection to note that the Government of India propose to constitute a separate Ministry of Economic and Social Affairs to make possible the pursuit of co-ordinated and integrated policies in the economic sphere. I venture to hope that the new machinery will enlist the co-operation and assistance of non-official commercial organizations and leaders in the task of formulating the new overall policy for the future, which would correct the deficiencies of the past and bring about the necessary measure of readjustment and improvement.

Rate of Return on Capital Employed in Industry

I referred earlier to the restrictive effect on expansion and development caused by the uncertainties connected with Government's economic and financial policies. Earlier in the year the uninformed and loose talks about nationalisation of industries and undertakings caused a good deal of misgiving. The statement of Government's industrial policy issued on the 6th April last, however, indicated a refreshing sense of realism and helped, to some extent, to allay the fears entertained earlier. This statement was the subject of detailed comment both by your Chamber and other organisations representing commerce and industry. We have already indicated the directions in which the policy outlined in the statement requires modification with a view to creating greater enthusiasm and interest in the commercial and industrial community of the land, so as to make it possible for private enterprise to make its full contribution in the achievement of the tasks ahead. In the meanwhile, a new issue of a controversial nature is threatening to cloud the atmosphere. Towards the end of May, the Government of India appointed an Experts Committee for the purpose of formulating suggestions for the consideration of Government in regard to, among other things, the determination of fair return on the capital employed in industry. The immediate provocation for this enquiry, as far as one could gather, was that at the time of the " Industrial Truce " last year, there was some talk of labour being enabled to share the product of their common effort in industries. In order that there may not be any misunderstanding of the attitude of the owners of the capital employed in industries, both your Committee and the other organisations have made it clear that they are in full sympathy with the claim and demand of labour to fair wages and to fair conditions of work. They have also recognised the need for increased amenities to labour and measures of labour welfare. At the same time, they have emphasised that wages and remuneration paid to workers in different industries should be definitely related to the capacity of the industry concerned to bear the financial burdens consequent upon such measures. Our fundamental contention is that all such labour costs should come out of the working cost in an industry and profits arrived at after providing for all working costs, including wages, legitimately belong to the owners. It is also a matter of common knowledge that even on a voluntary basis, the workers in many industries are being paid a share of the profits in the shape of bonuses given from time to time, sometimes on a very liberal scale. While thus the claims of labour for being adequately compensated for their contribution in the common effort in the running of industries is recognised, the main point of objection from our standpoint is that there should be no talk of any sharing of profits as such.

Apart from the above fundamental objection in principle, from the practical aspect also any scheme of sharing profits between capital and labour will not be successful. The level of wages and emoluments to a particular section of society or in a particular occupation should have some correlation to the general level and on standards obtaining in the country as a whole. The variation in the level of profits between one undertaking and another in the same industry will lead to vexatious results if sharing of profits is introduced as a basic feature, in that the workers in the less prosperous unit would find themselves in a position of comparative disadvantage *vis-a-vis* their compeers more fortunately placed. In a period of depression, when profits would naturally decline, it would be difficult to make labour understand the exact implications of the circumstances resulting in the stoppage of extra payments by way of profit-share, leading naturally to dissatisfaction in the minds of the workers. Even from the point of view of the labour, it is quite conceivable that the worker normally would be interested in a stable and continuous level of income. The uncertainties connected with deferred payment at the end of the year based on the level of profits will not be an incentive factor for promoting increased efficiency. The migratory character of the labour employed in certain industries is another factor which would impose limitations on the successful working of any scheme of extra payments based on profits. It would further be short-sighted to overlook the fact that, as part of our programme for expansion and development, many new undertakings and industries will have to be started. It is a matter of common knowledge that in the initial years of organisation and consolidation, the scope for profits in industries will be limited with the result that the prospects of additional payments at the end of the year in old-established undertakings would make labour less favourably inclined to accepting work in the new units. By all means allow labour to share in the prosperity of industry by recognising their claim to fair wages, increased amenities and payments in the shape of bonuses wherever possible ; let extra payments be linked to increased effort and increased output, but let there not be the factor of lack of stability in the terms and conditions of work by the introduction of any scheme of sharing of profits as such. We should also benefit by the experience of the working of similar schemes wherever they have been tried. In countries like the U.K., U.S.A., Germany and France, where the scheme was tried, the results on the whole have been disappointing. In this country also where schemes of profit-sharing were tried on a voluntary basis, the results have not been uniform and in many cases, the workers themselves are reported to have expressed dissatisfaction at the unstable effects of the scheme on their overall income, a feature which cannot be eradicated in any scheme of profit-sharing. We must, therefore, unequivocally express our disapproval of a proposal in that direction.

The enquiry into the question of the basis of determination of fair return on capital employed in industry has its genesis in the proposal for some scheme of sharing of profits between capital and labour mooted at the time of the " Industrial Truce ". The practical considerations which I have now detailed are overwhelmingly against the introduction of any scheme of profit-sharing ; in the result there does not seem to be any need for a scheme of restriction or limitation of return on capital as such. The high incidence of taxation on investment income under our existing tax structure in any case does not permit of the ultimate yield from investments being disproportionately high. Moreover, industrialisation in this country is still in a formative stage. In relation to what remains to be done, what has already been achieved is comparatively insignificant. In the new fields awaiting development and expansion, at least for a reasonable period of time, the issue from the practical aspect should be one of guaranteeing losses or safeguarding minimum return rather than one of putting a limit on the level of return. Again, for the purpose of realising the larger schemes of expansion and development a free flow of private capital for investment in industry has to be ensured. Steps in the direction of restricting return on capital or limiting the overall remuneration to capital will psychologically let loose forces which cannot but have the effect of making capital more shy. It would be futile to ignore that investment in new enterprises and particularly in enterprises of a pioneering character involves an element of risk in the initial years and the prospect of increased earnings and returns after a period of time is the main incentive for risking capital in such undertakings. It is also necessary in this context to stress the distinction between yield and dividend. It is generally agreed that for new enterprises and for new industries yet to be started, the question of actual limitation of return will not be a practical issue for a period of time. The proposal would principally affect only industries already in existence for a number of years. In such cases the dividend declared by a company or an undertaking is not the exact yield which the present owner is getting. Dividend in terms of percentage on the paid up capital may be comparatively higher, but when it is related to capital employed in the industry on the basis of which the present holders would have acquired their shares, the actual yield in terms of the cost of acquisition of the shares at the market value would be at rates and levels bearing a reasonable proportion to the existing money market conditions and the yield on investments in Government Securities. If in such cases the rate of return is pegged at an artificial level, the investments would depreciate in value to the present owners leading to very unhealthy and unfavourable conditions in the capital market. Such a contingency has particularly to be avoided at this juncture when our capital requirements are of a fairly large magnitude.

Capital on Strike !

There has recently been a studied attempt to misinterpret the role of private capital in the economic activities of the country and suggestions have been made that the capitalists are deliberately withholding their co-operation to Government with a view to jeopardising the success of the country's financial and economic policies. The lack of adequate public response to and interest in recent Government loans and floatations is being put forward as indications of this policy of lack of co-operation. I consider it my duty to raise my voice of protest against this deliberate misrepresentation. The industrialists as a class have in unequivocal terms expressed their anxiety to make the fullest contribution possible in the task of rejuvenating and developing the economic conditions of the land. They have offered their full co-operation to the Governments, both at the Centre and in the provinces, and are at all times prepared to make their experience and resources available to the country in the achievement of the tasks ahead. Credit is a very delicate mechanism and will function satisfactorily and effectively only under proper conditions. It is no use ignoring the fact that certain recent developments and uncertainties connected with the taxation and financial policy of Government raised fears in the minds of the investing public about the future of their investments. Instead of raising the bogey of capital standing aloof, it is necessary to concentrate attention on creating conditions which would restore confidence. The capital market has suffered set-backs owing to a variety of reasons. Moreover, savings were also less under the existing structure of taxation and consequently there are automatic limitations to the extent to which such savings can be made available for investment either in Government loans or in new enterprises. The taxation structure should be readjusted with a view to release greater savings for constructive purposes.

Government have been convening conferences and setting up committees to advise them on various aspects of matters concerning the economic development. Representatives of commerce and industry have made their full contribution in such discussions and have placed before Government their proposals and suggestions, both in regard to the formulation of policies and in regard to the steps necessary to implement the same. A start should be made in the direction of giving effect to the various proposals. The stage of discussion should by now be over and should be followed by well-planned action. I take this opportunity of making it clear, although such a special assurance seems to be superfluous, that the commercial and industrial interests in the country are ready to put their shoulders to the wheel and will not be failing in their duty to do all that lies in their power towards the realisation of the common objective of improving the economic conditions of the land.

Speech of Mr. Bhawanji A. Khimji, Vice-President, at the Second Quarterly General Meeting of the Indian Merchants' Chamber on Friday, 20th August 1948.

FRIENDS,

You have listened to an interesting speech by the President dealing with some of the main problems which are engaging our attention at the moment. Those of us who have watched the ebb and tide of events, sometimes with feelings of anxiety, during the first year of freedom feel convinced that the year has been one of remarkable achievements. The Government and the governed had to face many trials. Foremost among the problems which threatened to overwhelm us was the question of preservation of law and order. In large areas political passions had let loose forces of disorder and at one stage it looked that the sheer weight of those developments would make our progress tardy and difficult. We recall with feelings of grateful relief that the integrity of purpose which animated all actions of our leaders during those crucial days enabled the country to survive this period of ordeal. This was followed by the stupendous problem of re-settling the large mass of people who were uprooted from their natural surroundings, particularly in Upper India, by the developments consequent upon partition. The rehabilitation of nearly three million people and their assimilation into the normal activities in centres to which they were shifted has indeed been an achievement of which we have every reason to feel proud. Vast multi-purposes schemes like the Damodar Valley Project, the Hirakund and Bakrad Dams are being launched with a view to harness the big rivers of India for many-sided economic development. Generation of electricity on a country-wide scale made possible by these schemes will before long move the wheels of industry in every part of the land. An organized plan to liquidate mass illiteracy has been evolved. The integration of most of the major Indian States into the Indian Union is a significant development which augurs well for administrative cohesion and economic unity of the land. This is not to say that we have been able to achieve normalcy in all spheres of the country's activities. Many questions, political and economic, still face us. The political issues are being tackled in a true spirit of give and take and in the economic sphere the most important development was the emergence of a national industrial policy for the whole country. The outlook for the future is certainly clear and promising. But in the meanwhile the threat of our attention being diverted by minor controversies of sectional or provincial considerations has to be resisted. I am referring to this aspect later on. We have first to consolidate ourselves as a nation and not to let our progress in that direction be thwarted by issues causing provincial jealousies and bickerings.

Sterling Balances Agreement

It is a matter for satisfaction that the vexed question of the basis of repayment of the Sterling Balances held by this country in London has been satisfactorily settled. I have no desire to enter into a detailed discussion here of the terms as by now the factual aspects of the settlement are fairly well-known. The result has to be viewed against the background of the controversy which had raged around this issue. A concerted attempt was being made by influential quarters in the United Kingdom to secure the scaling down of a substantial portion of the debt represented by these balances on the ground that, as they represented expenditure incurred by the Government of the United Kingdom in a common effort, it was unreasonable to expect that country to bear fully the burden of the same. The greatest merit of the arrangements finally arrived at is the recognition by the United Kingdom authorities of the special position of these balances, in that they were not inter-governmental debts but represented sums received by the Reserve Bank of India in final settlement of a number of transactions, bulk of them representing the purchase of stores and other materials from India on a commercial basis. The acceptance of that position naturally means that the debt has to be paid in full sooner or later. The basis of the settlement of the price to be paid for the military stores and installations taken over by the Government of India and the terms of the capitalisation of the sterling pensions are fair to both sides. After these adjustments, the balance accruing to India would be approximately £800 million. It has been agreed to, that during the period of three years from 1st July this year, the United Kingdom will release a sum of £80 million in addition to a similar sum of £80 million which India has to her credit as unspent balance out of the previous releases. The total available foreign exchange resources for the next three years would, therefore, amount to £160 million. It is felt that this would cover the foreign exchange requirements of the country for that period. The amount of sterling, however, available for spending in hard currency is limited to £15 million till the end of June 1949. Although one would be inclined to feel that a larger allotment available for multilateral convertibility was necessary in view of our increasing hard currency requirements, perhaps the recent changes in regard to hard currency areas may to some extent mitigate our difficulties. As a creditor country we would very much have liked to have larger immediate releases, in the form in which we want, and the liquidation of the entire debt within a shorter period, but, in assessing the results of the agreement, the problem has to be looked at from the practical aspect and, even if it means some delay, the fact that the debtor has not shown any unwillingness to recognise fully his obligation to meet the entire debt in due course is by itself an encouraging factor. The members of the Indian Delegation who carried on the negotiations for the settlement of this question with

representatives of the British Government have reason to feel satisfied that they have secured the best terms possible under the circumstances.

The New Constitution

The Draft Constitution for India is ready and the Constituent Assembly will shortly proceed with the task of giving it flesh and blood by completing the formalities connected with its final passage into law. The Draft contains 315 Articles and 8 Schedules and the fact that as many as 500 amendments have already been tabled goes to show the interest it has aroused in the people of the country. The framers of the Draft had the advantage of the experience of constitution-making in other countries in recent years and were in a position to borrow whatever was good from such constitutions making at the same time the necessary adaptations to suit the Indian conditions. The central scheme is the setting up of a Federal State with a strong Central Government. The residuary powers are vested in the Centre and subjects which are vital for preserving the homogenity and cohesion of the land as a whole will be under central control. This has been a target of criticism particularly from quarters which were keen on making the autonomy of the provinces as complete and full as possible ; but the experience of the last two years and the persistence of disparate tendencies in international politics emphasise the need for the Union being armed with sufficient resources and powers which would enable it to function as an overriding authority in times of emergency. Reservation of seats in the legislature for minority communities is to be completely abolished after ten years. The distribution of revenue resources between the provinces and the centre, a matter which is bound to cause a good deal of difficulty in the country, is to be governed by the present arrangements for the next five years, after which a special Financial Commission will go into the question on a scientific basis. This naturally introduces an element of transition in the present proposal ; but that is perhaps unavoidable. While the fundamental rights enumerated and safeguarded in the Constitution assure to the citizen all the accepted rights connoting freedom and the necessary immunities from interference into his day-to-day life, care has been taken to ensure that these rights are not transformed into licence and that the individual could exercise rights only which are compatible with his obligations and duties to society as a whole.

It is a matter of some disappointment that the Draft Constitution, as finally framed by the Drafting Committee, does not include provisions for according special representation for commerce and industry in the future houses of legislature. In fact, the final provisions as drafted constitute a departure from the previous position agreed to in the Constituent Assembly in the earlier stages of the discussion of the issue. On the recommendation of the

Union Constitution Committee, the Constituent Assembly had agreed that the strength of the Council of States shall be so fixed as not to exceed one-half of the strength of the Houses of the People and that not more than 25 members of the Council shall be returned by functional constituencies or panels constituted on the lines of similar provisions in the Irish Constitution. Similarly the Report on the provisions of the provincial constitution had recommended that there would be within certain limits functional representation in the Upper Houses in the provincial legislature on the lines of the Irish Constitution. This recommendation was also accepted by the Constituent Assembly. There was, therefore, agreement at least in principle to the need for functional representation both at the Centre and in the provinces. Under the Irish Constitution, industry and commerce including banking, finance, accountancy, engineering and architecture are panels for purposes of functional representation. Unfortunately in the final Draft, the Drafting Committee have made material changes in the above position and have so far as the Council of States is concerned reduced the seats allotted for functional representation from 25 to 15 and recommended that such seats instead of being filled up by election on functional basis should be filled up by the process of nomination by the President and that even in regard to the seats to be so filled by nomination representation for commerce and industry has been excluded by omission from the special interests sought to be represented. Similar changes have also been introduced by the Drafting Committee in the matter of the composition of the provincial legislative councils. One-half of the members of the Council of State in a province are to be chosen from panels ; but in prescribing the panels, commerce and industry have been excluded. Particularly in the immediate future when issues of an economic character will loom large before the new Houses of Parliament, the presence of accredited representatives of commerce and industry speaking on behalf of recognised and representative organisations would have been of considerable assistance both in the legislative work and to the Government of the day in the formulation of policies and proposals which should govern legislative action from time to time. It is no satisfaction to be told that men drawn from commerce and industry could be expected to be returned to the Houses of Legislature through the normal process of election from general constituencies. There are automatic limitations to the extent of such representation through general constituencies. That apart, such members could not claim the representative character attached to one returned on a functional basis representing definite organised interest. We have earnestly appealed for a reconsideration of this issue and it is to be hoped that before the Draft is finally accepted necessary changes will be introduced providing for representation to commerce and industry in the future houses of legislature.

Linguistic Provinces Commission

I should now like to refer to the appointment of the Linguistic Provinces Commission which has issued a questionnaire regarding the constitution of provinces on Linguistic basis, involving redrawing of the boundaries of several regions of the Indian Union. The particular provinces which are proposed to be reconstituted are Andhra, Karnatak, Kerala and Maharashtra. Apart from the general aspect of creating linguistic provinces the question in which we are most vitally concerned is the problem affecting the future of Bombay.

It is not proposed to undertake a detailed examination of the question at this stage as your Committee are already seized with the problem and will, in due course of time, communicate their views to the Commission in the matter. However, I should like to avail myself of this opportunity to make a few general observations on this most controversial issue of the day. I am firmly of the view that the present time is most inopportune to take up the question relating to boundaries of provinces. It is only just one year since we won our freedom and you are all aware of the tremendous odds through which the country had to pass during this short period. We are not yet out of the woods and the Union has yet to mobilise all its resources for the solution of the momentous problems which confront us both on the political and economic fronts. The occasion demands that instead of frittering away our energy in attacking problems which can easily await their postponement to a later date, we must concentrate on the task of promoting consolidation and solidarity of the Union. I am afraid, if we lose sight of the supreme need of the hour and attempt to take up the question of re-distributing areas and demarcating boundaries of provinces on a purely linguistic basis, we will unleash the forces of narrow provincialism and linguistic loyalties and create an atmosphere charged with sectional passions and emotions which may soon assume the complexion of communalism. I would, therefore, strongly urge on all those who have been insistently clamouring for redistribution of provinces on linguistic basis to view the whole problem from the national point of view at this juncture and do all that they can to strengthen the hands of the Indian Union. At this crucial hour in the history of our country let us all shed that narrow exclusive spirit of provincialism and communalism which have hitherto disrupted the unity of the country and join in what our beloved Prime Minister, Pandit Jawaharlal Nehru, has described as the " historic and magnificent task " of consolidating our freedom and waging a relentless war against " poverty and all its unhappy brood ".

However, despite the strong reasons urged above, if it is decided to proceed with the work of Linguistic Provinces Commission, I would like to point out that such demarcation of the boundaries of provinces cannot be undertaken on a purely linguistic basis, but due regard will have to be given to a variety

of considerations such as political, economic, geographical and cultural. Any absolute emphasis on the factor of language alone will be tantamount to a negation of the rational and scientific lines on which such re-drawing of provinces should proceed. It is a matter of history that Bombay owes her growth and development to the pioneering and enterprising spirit of a number of communities, drawn from all parts of the country. The trade, commerce and industry of the City owe their present position to the joint efforts of all and provincial or linguistic considerations being conspicuously absent in the common activities of the city. In fact, Bombay has developed into a centre of all-India importance. It may be pertinent to refer to the textile industry of the city which plays an important part in meeting the essential requirements of the whole of India. In all these, let me repeat, all communities, irrespective of the province from which they come and the language that they speak, have contributed and made Bombay the great and magnificent city that it is today. Moreover, Bombay is the 'nerve centre' of all important communications such as land, sea and air and the strategic importance of the port as a naval base gives Bombay a special importance which should not be lost sight of.

Further, I would like to emphasise the fact that the civic and cultural life of Bombay is essentially cosmopolitan in nature and no single linguistic group can lay any claim over Bombay simply because a particular percentage of the City's population speaks the language of that particular province which claims geographical contiguity or linguistic affinity with it. The cosmopolitan character of Bombay is the result of the happy fusion of numerous groups and communities from all parts of India, nay, even from the different parts of the world.

In short, all these features, political, economic, strategic and cultural, I have referred to above, would easily establish the claim of Bombay to be constituted as a separate province, directly linked with the Centre and as such under no circumstances it can justifiably become a part of the proposed Province of Maharashtra or for the matter of that, of any other province.

Speech of Mr. Ramdas Kilachand, President, Indian Merchants' Chamber, at the Third Quarterly General Meeting on Thursday, the 11th November 1948, at 4-00 p.m. (S.T.).

FRIENDS,

As usual, a summarised report of the work done by the Committee during the quarter has been circulated to Members through the medium of the monthly issues of the Journal of this Chamber.

At the last Quarterly General Meeting, while surveying the achievements in the political sphere, during the first year of Freedom, I gave expression to the feeling of uneasiness caused by the

developments in Hyderabad and to the repercussions of those developments on the progress of the efforts of the Indian Union to stabilise political conditions in the country as a whole. There have been swift and significant changes since then. The intransigence of the administrative set-up in Hyderabad, the collapse of law and order in the State, the border incidents which became a perpetual threat to the peace in Indian territories in the neighbouring provinces and the inspired campaign of vilification conducted in the foreign press ultimately forced the hands of the Union Government to resort to police action, when all appeals to reason failed, and on 13th September our troops crossed into Hyderabad territory. The subsequent developments and the capitulation of the Nizam within five days of the commencement of the action carry their own lessons for the future. This festering sore in the body of the Indian Union has been cured. Our task of making the area of the Indian Union one economic and political entity and the States an integral part of that entity is nearing completion. The Hyderabad tangle has been solved in a manner which has added lustre to the country's political leadership and the patience, toleration, the tenacity of purpose and, in the last stages, the firmness with which the Hyderabad problem was handled have evoked all-round admiration.

Naturally, there is a good deal of speculation regarding the main lines of the settlement concerning the future of Hyderabad. Demands are being insistently made that the Union Government should press its advantage and force a permanent settlement of their own choice. Our leaders have already given an assurance that the future of Hyderabad was primarily to be determined by the people of that territory. This should guarantee a settlement on lines more or less similar to the general pattern of our overall policy in regard to the integration of States. In the meanwhile, all the financial and trade restrictions imposed during the period of the impasse have been removed. The needs of Hyderabad in the matter of foodgrains and other essentials of life are being met and whatever be the scope and form of the future constitutional link, the main object of the territory being treated as an integral part of the Indian Union from the economic and political standpoint will necessarily be achieved.

There is still one more problem of a purely political character awaiting solution. I am referring to Kashmir. After over twelve months of fighting, although the primary objective of defending the Kashmir valley against the invaders has been achieved, the work of throwing the raiders back has yet to be completed. The circumspection shown by our Government in dealing with this problem during the last few months has been justified by subsequent events. In July last, the U.N. Commission arrived in the country and in order to provide the necessary psychological atmosphere for the success of their efforts, they desired that both the Indian and the Pakistan Governments should not take any steps

to aggravate the conflict. This appeal was readily responded to by our Government and that to some extent explains the existing position of stalemate. The refusal of Pakistan to respond to the Cease Fire appeal should bring a sense of realism in those concerned with the method of mediation sponsored by U.N.O. so as to persuade them to concede to India the moral right to restore normal conditions in Kashmir in order to enable the people of Kashmir to decide finally their future political position and their relationship with the Indian Union.

Any development in India now seems to be a world affair. When the Kashmir trouble first started, there was in evidence an organised propaganda to paint us as aggressors. Similarly, the foreign press was inclined to be unduly critical about our action in Hyderabad. We have been terribly misrepresented, our motives questioned and our rights discussed. We do not fight shy of honest criticism ; but when such criticism is occasioned by inspired propaganda, we have naturally reason for resentment. Perhaps, our external publicity arrangements should be more systematically organised with a view to counteract one-sided and tendentious propaganda. Fortunately, the recent visit of our Prime Minister to the United Kingdom to attend the Commonwealth Prime Ministers' Conference and his subsequent contacts with leaders of international opinion at Paris have helped to clear a good deal of misunderstanding. We must follow it up with advantage and make an organised effort to gain international goodwill. We have affirmed our faith in international collaboration and in order to enable us to play our proper role in that sphere, we must leave no doubts in the minds of other countries that we stand steadfastly by the main principles governing that policy of collaboration.

Efforts to Restore Economic Equilibrium

The stabilisation in the political conditions in the country makes it possible for our leaders to devote their whole-hearted attention to the problem of improving our economic position. In fact, the deterioration in the economic situation has caused a good deal of concern. The threat of growing inflation constituted almost a crisis in our economic affairs. Apart from the psychological and other considerations, the main contributing factors which had led to the problem of inflation assuming the proportion of a menace were the continued decline in production coupled with rise in the cost of production, the general rise in prices and the pressure of surplus purchasing power, caused by the limited supplies of goods, as also by the lack of opportunities and incentive for utilisation in constructive and productive channels. The problem will, therefore, have to be tackled both from the monetary and from the production sides.

It is, indeed, a matter for satisfaction that a concerted attempt is being made in that direction. After detailed and prolonged consultations with the different interests, Government have formu-

lated a plan of action which, in its essentials, has met with a general measure of public approval. The proposals aim at, on the monetary side, securing reduction in Government expenditure and mopping up the surplus purchasing power in the hands of the public by encouraging savings. Government expect that the effect of the monetary measures would be such as to reduce the purchasing power in the hands of the public and thereby bringing into force a gradual reduction in the prices. Government have also decided to limit the amount distributed as dividend to shareholders of public companies to the average of the two years ending 31st March 1948 or 6% on paid-up capital, whichever is higher. We have suggested the need for some adjustments in the proposal for limitation of dividend with a view to adequately provide particularly for subsequent changes in the capital structure of companies. Government should give due consideration to exceptional cases, where the rigid application of the general formula is likely to lead to invidious results so that the limitation of dividends in such cases does not actually result in the investors getting less than their share in the basic years. Moreover, the limitation of dividend should have been coupled with definite proposals for limitation of wages as, in the present context of affairs, the high level of wages exercises a profound influence on the level of prices. Unless wages are also progressively stabilised, it would be difficult to bring about any significant reduction in the level of prices.

As mentioned above, the decline in production is the largest single contributing factor. The index of industrial activity in the country which stood at 100 in 1935 and at 114 in 1939, after a gradual rise to 127.5 in 1946 dropped down to 109.6 at the end of last year. The decline was continuing during the earlier months of the current year although subsequently there has been a slight improvement. The success of Government's efforts to fight inflation and to bring about economic stability would in a large measure depend on the extent of the support in stimulating production. Towards that end they have announced certain concession to industry. The rate of depreciation on new buildings, plant and machinery has been doubled for the period of first five years subject to the limitation that the total amount of depreciation should not exceed the prime cost. Increased depreciation will be allowed for factories working treble shift. In order to offset the effect of the high cost of machinery and equipment prevailing at present, it has further been agreed that if after a period of five years the price of machinery falls below the original cost, the difference will be allowed as additional depreciation. New industrial undertakings coming into production within the next three years will be allowed exemption of income-tax for the first five years on profits upto a limit of 6%. There is also a promise of the extension of the tax-free period in deserving cases. The import duty on plant and machinery has been reduced from 10

to 5% except in cases where such imports are likely to come into competition with corresponding indigenous products. Certain reductions in the duties payable in respect of imported raw materials have also been effected. These concessions will, no doubt, afford a welcome relief to industrial undertakings particularly in the initial stages of formation and consolidation.

Obviously, Government attach special importance to the promotion and development of fresh industrial enterprises. It would not be out of place in this connection to make some suggestions which would assist that process. It may be recalled that the low tempo of business and industrial activity coincided with the lack of confidence caused by the imposition of heavy direct taxation in the year 1947. Although subsequently the mischief has been partially set right, in order to achieve greater support for further industrial activities, Government should, at an early date, abolish the Capital Gains Tax. This tax has stood in the way of fresh investment activity. Similarly, the incidence of direct taxation should also be reviewed so as to reduce the steepness of super-tax on individual income. New and increased investments are essential pre-requisites for fresh enterprise and such investments will have to largely come out of savings. If the tax structure prevents savings, the flow of money for investments will also be automatically checked. The proposal regarding the levy of an Estate duty should be held in abeyance. There is strong feeling that the levy is not at all suitable to Indian conditions. In any case the Bill should not be proceeded with at this juncture.

There have been suggestions and insinuations that holders of capital are withholding their support to the investment market. The inadequacy of the response to certain recent floatations and Government Loans is pointed out in justification of this complaint. This line of criticism is caused by a lack of understanding of the conditions and factors governing the investment markets. It is always assumed that the bulk of the investments, either in shares of joint-stock companies or in Government Securities, is held by or concentrated in the hands of a few. In recent years there has been a shift in the income groups in the country. Dr. P. J. Thomas, who recently conducted, on behalf of Government, an enquiry into the question of the regulation of Stock Exchange in India, examined the question of the distribution of holdings and has, in his report, made the revealing conclusion that as much as 90% of the total number of shares in many companies was held by persons who had not more than 50 shares. It is thus clear that ownership of scrips is spread over a large number of shareholders. Apart from institutional investors like banks, insurance and investment companies, the same is the case in regard to investments in Government Securities. The middle-class investors had their own difficulties during the period. Apart from the high cost of living, reducing the margin of savings, many such investors had suffered from the effect of depreciation in capital values on

account of the general decline in prices of scrips and securities. Investors from the Punjab and other centres affected by the turmoil of the last year were, in addition to the displacement in their normal activities, subjected to severe losses of a capital nature. Normally there is a good measure of support from small investors in the Punjab for investments both in Government Securities and in shares of industrial undertakings. It is, therefore, incorrect to say that the lack of investment response recently is due to any general desire on the part of industrial or commercial classes to withhold support from such floatations.

The procedure of consultation and adjustment which Government have followed in formulating their measures for fighting inflation and for increasing the economic activities in the country has very much assisted in creating a new atmosphere of confidence. There was a good deal of nervousness caused by hasty declarations and decisions in the past and it was feared that ideological predilections would be allowed to force the pace and that practical realities about the requirements of the situation would not receive the due measure of consideration. This change in the method of approach to the immediate problems confronting the country will make possible, to an increasing extent, a co-ordinated and all-out effort. The commercial and industrial interests can be counted to extend their whole-hearted co-operation for the successful working of the measures Government have in view for intensifying production and for bringing about a general improvement in the economic condition of the land. Commercial interests are enlightened enough to appreciate that they can prosper if and only to the extent to which the country as a whole prospers.

Relaxation of the Import Trade Control

As members will, no doubt, recollect, we had occasion to discuss at a Special General Meeting three months ago, difficulties experienced by the trade on account of the rigidity of the Import Trade Control and the vagaries in administering the same. It was decided at that meeting that the complaints and suggestions made by the trade should be examined by a Sub-Committee with a view to securing modifications and redress by suitably representing the case to the authorities. Accordingly, the matter was examined in full detail. The presence in Bombay in the month of September of the Chief Controller of Imports was taken advantage of for a full and frank exchange of views. In the meanwhile Government had liberalised the control in a substantial manner, automatically eliminating or minimising some of the difficulties of the previous period of rigid control. At the meeting with the Chief Controller, the administrative defects and drawbacks were prominently stressed and as a result of the discussion many of the suggestions for administrative improvements have been agreed to. The demand made for the setting up of an Import Advisory Council has been acted upon. The general report about the experience

in regard to administrative delays in dealing with applications for licences also indicates improvement. The need for reviewing the Import Trade Control policy at fixed intervals, in consultation with trade interests through the Import Advisory Council, has been recognised. We have, therefore, reason to feel satisfied that our efforts in this direction have proved to be timely and fruitful.

There is, however, one aspect arising out of the relaxation of the control which calls for further consideration. The Import Trade Control afforded a measure of indirect protection to indigenous industries and during war when imports were either prohibited or curtailed, many industries were started or expanded because Government gave assurances that industries started or developed to meet the shortage would not be left high and dry when the emergency had been ended. The recent liberalisation of imports, unfortunately, is already having adverse effects on some of the industries manufacturing products of a corresponding nature here. We have received complaints from certain industries. The Chemical industry, which is an essential industry and which made good strides during the period of the war, finds its position seriously threatened. The Distemper manufacturing industry is another instance. There are some other industries which find themselves similarly placed. It is no consolation to them to be told that if they are not in a position to withstand competition from imported products, they should pursue the normal procedure of applying to the Tariff Board for their claims for protection being investigated and receive, in due course, such assistance which Government might decide upon as a result of the investigation. Such a course has its own drawbacks. In the interval between the removal of the control and the grant of protection after an enquiry, imported goods would have already come into the country, thereby causing a set-back to the Indian industry. I am not suggesting that for that reason the Import Trade control should be continued in its previous rigid form. What is required is that before the control is relaxed or removed, Government should, in advance, assess the likely consequences on the corresponding Indian industry and take timely measures to obviate such consequences. In cases where Indian production in particular lines is not sufficient to meet the internal requirements, import assistance or permission should be limited to the extent of the deficiency in local production. There should be a strict co-ordination in policy in regard to this aspect of the matter as between the Industries and the Import Trade Control Departments. On the mere ground of the preference of the potential buyer for the imported article or on the ground that the Indian manufactured article is, at the moment, costlier than the imported one, we should not, at this juncture, allow imports indiscriminately and thereby cause permanent harm to such of the Indian industries which have sprung up during the period of the war on account of the favourable circumstances afforded by the cessation of imports. On the other hand the

foreign exchange resources should be utilised in securing imports of machinery and capital equipment as also essential raw or semi-manufactured materials required by Indian industries, thereby helping the country to be self-supporting to an increasing extent in regard to the essential requirements of the community.

Speech of Mr. Bhawanji Arjun Khimji, Vice-President, at the Third Quarterly General Meeting of the Indian Merchants' Chamber, on Thursday, the 11th November 1948, at 4-00 p.m. (S.T.).

FRIENDS,

The President has in his speech rightly given expression to our feeling of satisfaction that the process of consolidating our newly won freedom and the political position of the country has gathered strength and achieved a good measure of success, particularly during the last few months. In my speech at the last Quarterly General Meeting, I referred to the significant development in the matter of integration of States into the Indian Union. The position of Hyderabad was then giving us cause for serious concern. Fortunately, this issue has also now been settled satisfactorily and all the major internal political problems have been solved one after another in a manner which has certainly added lustre to our present political leadership. It is true that, notwithstanding sustained and sincere efforts, our relations with Pakistan are not as cordial and neighbourly as we would wish. Misunderstandings in regard to our intentions and outlook about Kashmir and Hyderabad had to some extent made international opinion also unfriendly towards us. But the recent efforts to present matters in their correct perspective, reinforced particularly by the personal efforts of our Prime Minister, Pandit Jawaharlal Nehru, in that direction during his last foreign visit, are bearing fruit. If we are internally strong and are successful in putting our own house in order, we shall have no difficulty in asserting our place and position as the most important country in the East in the international political affairs.

The First Year of Freedom

It would be appropriate on the present occasion to review the achievements of Government during the period of one year since the attainment of Freedom. Although the year has been one of unhappiness and humiliation inasmuch as evil triumphed over good in the assassination of the Father of the Nation, the sense of shame and remorseness forced on us by that calamity, perhaps, gave an impetus to our efforts to turn a new leaf. Apart from the success of the efforts to consolidate our political position, it can be claimed that in spite of the most harassing and difficult problems, our Government have succeeded in inaugurating an era of constructive endeavour. We may be impatient about the slow progress but when one considers the magnitude of the difficulties through which

the country had to pass, we have no reason to feel discouraged about the results achieved. We found our economy heavily battered by the ravages caused by the war-time developments. The perennial and paramount problem was that of food. Internal production of foodgrains being continuously in deficit, the success of the policy of controlled distribution depended on the availability of imported foodgrains in adequate quantities and at reasonable prices. Unfortunately, the supplies made available from time to time did not cover the balance of our requirements and the prices charged for the same also showed sharp increases. A permanent solution of the problem had, however, to be sought by increasing food production in the country. Government of India inaugurated a scheme of land reclamation by heavy tractors at the end of last year. The total number of tractors used was estimated at 3,500. Government acquired large number of heavy tractors and bulldozers from the United States Army equipment and reconditioned them for use in the land reclamation work, mostly in the United Provinces and in C.P. It is reported that some 45,000 acres of land were reclaimed last season and the capacity of the equipment available for reclamation is estimated by the Foodgrains Policy Committee at about 10 million tons. It is expected that 4 million tons of additional supply would be secured as a result of the completion of the various multi-purpose irrigation and electricity projects and another 3 million tons from the Grow More Food Campaign. The balance of 3 million tons to make the country self-sufficient will have to be made available from reclaimed lands. It has been estimated that it would be possible to reclaim about 6 million acres of land over the next 6 years and if the above programme is completed, our precarious dependence on external assistance for our food needs will come to an end.

In the industrial field, our greatest difficulty has been in the matter of securing supply of capital goods and trained technicians. This has been a severe bottleneck in the realisation of our programme of industrialisation. We have not been able to give effect to proposals for starting new industries. It is true that, the uncertainty caused by lack of finality in Government policy in the matter of industrialisation caused some concern in the earlier stages ; but the announcement of Industrial policy made in April last and the subsequent proposals to counteract the inflationary position have assisted in improving the situation and it is the duty of the commercial community to extend their full co-operation to Government in their efforts to increase production and to restore economic equilibrium.

In this process of improving the productive resources of the country, labour has to play an important part and industrial peace is of supreme importance. As a result of the Industries Conference held in December 1947, an Industrial Truce was entered into for a period of three years. Labour's claim to fair wages was conceded and an Expert Committee was appointed to advise Gov-

ernment on the principles to be followed for the determination of labour's share of surplus profits in selected industries. This Committee has submitted its recommendations to Government. It is relevant, in this connection, to mention that there has been a striking record of progress in the matter of Labour Legislation and Labour Welfare measures during the first year of the country's freedom. The Industrial Disputes Act, 1947, provides a standing machinery for the conciliation and adjudication of industrial disputes. Government of India's Industrial Relations Machinery helped to amicably settle a large number of industrial disputes. Similarly, the Provincial machinery functioned in bringing about settlement of disputes in the provincial sphere. The Indian Trade Unions Amendment Act of 1947 provides for compulsory recognition of Trade Unions, the underlying object being to bring employers and workers closer together. The Industrial Employment Standing Orders Act is being more extensively enforced. On the welfare side, the Coal Mines Labour Housing and Welfare Fund was constituted, which makes many schemes of welfare measures possible for labour in coal mines. The Minimum Wages Act, 1948, provides for the regulation of wages in industries, where workers are not sufficiently organised to bargain for themselves. The New Factory Legislation makes the construction of new factories subject to previous licence, whereby the proposed lay-out and other details will have to satisfy accepted standards. Greater importance is also attached to conditions regarding safety and health of workers. The Employers' State Insurance Act passed recently provides for the setting up of a Fund from contributions of employers and employees supplemented by administrative grants from Government for the purpose of granting benefits to labour in respect of sickness, maternity, accidents, etc. The year thus has been particularly eventful in regard to progressive labour legislation.

Bombay's Progress

The provinces have a wider field of action and the major constructive and nation-building activities are under their care. Taking first the progress in agriculture, the Government of Bombay has embarked upon a bold and positive policy in respect of agricultural production by recourse to the development of irrigation, promotion of research, exploitation of forest wealth and re-organization of animal husbandry on a scientific basis. As the departmental equipment was found insufficient for this huge task, there was a re-organization during the year with a view to carry out efficiently the post-war reconstruction schemes of the Department. The Growth of Food Crops Act was continued for 1947-48 with a relaxation in the more important cotton growing areas of the province. The five schemes for the multiplication and distribution of important foodgrains seeds and the scheme for the production of nucleus seeds of improved strains were also continued during the year. Besides, three other schemes spread over a

period of 5 years and estimated to bring in over 9 lakhs maunds of foodgrains have also been started this year. The Committee on land improvement inquiry appointed by Government submitted their reports during the year. In furtherance of the Grow More Food campaign, Government secured from different sources engines, pumps and belting and distributed them to the cultivators of the province. Mechanical cultivation scheme has been given high priority and the tractor ploughing scheme has become so popular that Government decided to increase the number of tractors and efforts are being made to obtain them from foreign countries through the Government of India. With a view to encouraging the establishment of independent warehouses for the storage of agricultural produce and making provision for proper supervision and control, the Government have enacted a measure based on the lines recommended by the Reserve Bank of India. It is now reported that the Grow More Food campaign has increased the yield in the province by 1,00,000 tons of grains.

In the industrial sector the province has a limited field of action. But in spite of this the Government of Bombay through the Provincial Industries Committee has covered practically the whole field of the development of large-scale and small-scale industries in all parts of the province. The Committee with its 7 sub-committees was assigned the task of advising Government on the existing industries in the province and the scope for their further expansion and also on the new industries that could be started in the post-war period. The Committee was also asked to suggest which industries can advantageously be organized on large-scale, small-scale or cottage industry basis with their suggestions on the location of the various industries, after taking into consideration the availability of labour, water supply, electric power, raw materials, markets and the desirability of preventing congestion in thickly populated areas. Though under the Government of India's Textile Industry expansion plan, no new mills had been allotted to this province, on the intervention of the Government of Bombay, the Central Government has agreed to the proposal of setting apart 48,000 spindles out of the quota of 1,14,000 allotted to this Province for distribution among the existing mills in order to enable them to go finer and for the establishment of a few new spinning mills in the interior of the province. The Government has always put forth Bombay's claim for an adequate share for this province in the factories manufacturing rayon, sheet iron, sugar products, paper, heavy chemicals, etc. Allied to this is the problem of supplying cheap and abundant electric power and the Government have an ambitious Electric Grid scheme. The Bombay Industrial Relations Act has been modified so as to make sympathetic strikes illegal and so as to make participation in illegal strikes a sufficient cause for withdrawal of recognition of a registered union. In the matter of giving amelioration to the labourers in respect of holidays with pay, canteen facilities, etc., Bombay

Province has gone a step forward than the other provinces. A small enquiry into the working class housing in Bombay City was conducted by the Directorate of Labour Information and Government have various schemes on hand to provide adequate housing for the labour population. A Housing Board, which will function as a Statutory Corporation, has been set up. The Government have also appointed a Provincial Labour Advisory Board to advise Government on all matters affecting the interests of labour and in particular relations between employers and employees.

Among the measures of Social Reform, Prohibition must be mentioned as the first on which the Government have taken the inevitable decision to implement complete prohibition within a period of 4 years. They have constituted a Provincial Prohibition Board to get the sympathy and support of the public and have also appointed a Nira Sub-Committee for suggesting alternative uses of toddy producing trees and allied questions. Government through the Board are giving top priority to the task of free propaganda and helping the addicts to give up drink by providing effective diversion. It is proposed to start welfare centres all over the province. In respect of primary education, Government launched their 5-year scheme during the year. They also sanctioned a scheme of Adult Education with a target of 6,65,000 literates between the ages of 15 and 40. Under this scheme every taluqa is to have a Centre at an estimated cost of Rs. 9,400. Thus the period has been one of intense activity for our Provincial Government and judging from the work that they have put forth, we may be confident that social and economic condition of the province will show good progress in the near future.

Regrouping of Provinces

When thus circumstances are so favourable for an all-out effort for planning the economic progress of the country as a whole, it is extremely unfortunate that the controversies let loose by the demand for setting up separate and new provinces on linguistic considerations are clouding our vision and diverting the energies of the leaders and the people from constructive channels to the pursuit of dogmas. The Province of Bombay is also not free from her share of troubles caused by this controversy. Recently the Linguistic Provinces Commission was in Bombay in connection with its investigation into the problem. Our Chamber took up the stand that at this stage when the paramount need was to make the nation an integrated whole, there should not be any talk of further divisions in the country by provinces or otherwise and that consideration of the issue of regrouping of provinces should be postponed until after the country was more fully and normally settled. The Chamber further stressed that if, unfortunately, for any reason the splitting up of the present Province of Bombay into separate provincial units was deemed unavoidable, then the process should be pursued to its logical conclusion and

the City of Bombay with its Suburbs should be made a separate province linked directly to the Indian Union as a federating unit. The reasons for postponing consideration of the issue as a whole are overwhelming. Both Pandit Jawaharlal Nehru, our Prime Minister, and Sardar Vallabhbhai Patel, Deputy Prime Minister, gave the correct lead in the matter when they appealed to those concerned to have this issue postponed and seek a solution of the same in more normal times based on mutual consultation and agreement. The unity of purpose animating our political leaders and workers should not be allowed to be disrupted by such issues which are not vital to the country as a whole in the present context of affairs.

In our approach to the problem we cannot allow ourselves to be swayed away by sentiments. We are determined to assist the development of the country on secular lines. Race, religion or language cannot and ought not to be the guiding factors in determining the administrative set-up or administrative units in the future order of things. Attempts to make the boundaries of the administrative units in the country co-terminus with linguistic areas come into direct conflict with the main purpose of reconciling the differences caused by the diversity in languages, religion or culture. Regrouping of provinces, wherever justified or necessary, should be on a rational and scientific basis guided by a variety of factors, political, economic, geographic, administrative convenience, etc.

It is strange that the demand for the setting up of a separate province of Maharashtra is coupled with the claim that the City of Bombay should form part of that new province. The basic principles which ought to guide the formation of provinces, however, are overwhelmingly in favour of making Bombay with its Suburbs an independent political entity. If regrouping is decided upon the claim of Bombay for being set up into a separate province cannot be resisted. Bombay has no affinity with any particular linguistic area comprised within the present province. Historically the Island of Bombay at no stage was a part of Maharashtra. No one language can be claimed to be the common language for Bombay ; in fact, the Marathi-speaking population in the City has been estimated at 38% of the total population. The social, economic and cultural activities of the City have, at no stage, been influenced by provincial or linguistic affiliations or by considerations of religion, caste, colour or creed. There have been weighty pronouncements of the learned Judges of the Bombay High Court that the school of Hindu (Mayukh) law applied to the Island of Bombay and North Konkan was the same as that of Gujarat and not that applicable to Maharashtra, giving support to the case that the residents of Bombay had greater cultural and social affinities with Gujarat than with Maharashtra. From the economic, commercial and industrial standpoints Bombay is a centre of all-India importance. It is the Gateway for the overseas trade of India. It has the advantages of a good natural harbour.

The share of the port of Bombay in overseas trade is about 40% of the total all-India trade. In the sphere of industries also Bombay has an all-India importance. It has been estimated that Bombay City contributes about 25% of the total revenue from Income-tax to the Central Exchequer. Bombay has organised markets and exchanges on an all-India basis. It is, again, the main financial centre in the country. It is a sort of a clearing house for the distribution of traffic both internal and external. In times of emergency, Bombay with its harbour and other installations will be called upon to play an important part in naval strategy. An analysis of the revenue resources and expenditure of the different linguistic areas of the present Province of Bombay shows that, whereas the Bombay City and Suburbs will be in a position to sustain and run an efficient administrative machinery, the other areas which are now dependent on the surplus derived from the Bombay City and Suburbs, will find themselves obliged to seek new resources for meeting the annual deficits. The issue of finance apart, Bombay has a population which is sufficiently politically conscious and as such will be in a position to run representative governmental organisations and machinery in an efficient manner. A dispassionate review of the relevant considerations, therefore, lend strong support to the need for preserving the all-India importance of Bombay by setting up the City with its suburbs into a separate province, in the event of the present province of Bombay being regrouped into more provincial units.

The Linguistic Provinces Commission has completed its enquiry and will shortly be submitting its recommendations to the Constituent Assembly. The final decision in the matter rests with the Constituent Assembly. The members of that Assembly may be expected to give due consideration to the problem in all its aspects before coming to final decisions. In the meanwhile, it is the duty of all sections of the community not to embitter public feelings by prolonging the controversy. All sections in the province, however strongly they may feel on the issue, should now leave the matter to the judgment of the Constituent Assembly and make every effort to restore cordial relations between the different linguistic sections.

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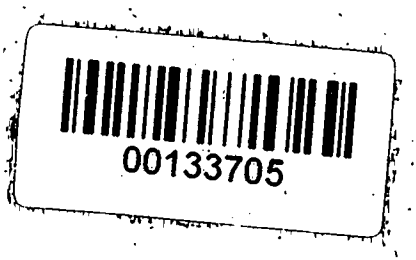
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